



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014  
OF THE CONDITION AND AFFAIRS OF THE

Harvard Pilgrim Health Care, Inc.

NAIC Group Code05950595NAIC Company Code96911Employer's ID Number04-2452600  
(Current)(Prior)

Organized under the Laws ofMassachusetts, State of Domicile or Port of EntryMassachusetts

Country of DomicileUnited States of America

Licensed as business type:Health Maintenance Organization

Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized02/11/1969Commenced Business02/11/1969

Statutory Home Office93 Worcester StreetWellesley , MA, US 02481-9181  
(Street and Number)(City or Town, State, Country and Zip Code)

Main Administrative Office93 Worcester StreetWellesley , MA, US 02481-9181781-263-6000  
(Street and Number)(City or Town, State, Country and Zip Code)(Area Code) (Telephone Number)

Mail Address93 Worcester StreetWellesley , MA, US 02481-9181  
(Street and Number or P.O. Box)(City or Town, State, Country and Zip Code)

Primary Location of Books and Records93 Worcester StreetWellesley , MA, US 02481-9181617-509-5697  
(Street and Number)(City or Town, State, Country and Zip Code)(Area Code) (Telephone Number)

Internet Website Addresswww.hphc.org

Statutory Statement ContactKevin O'Connor617-509-5697  
(Name)(Area Code) (Telephone Number)

Kevin O'Connor@hphc.org617-509-1778  
(E-mail Address)(FAX Number)

OFFICERS

President and Chief Executive OfficerEric Hinman SchultzClerk/Secretary and Chief Legal OfficerTisa Kramer Hughes #

Chief Financial Officer and TreasurerCharles Robert Goheen

OTHER

Michael Scott Sherman, M.D. Chief Medical OfficerDeborah Ann Norton Chief Information OfficerJohn Francis Lane Chief Human Resource Officer

Tu T Nguyen Chief Actuary

DIRECTORS OR TRUSTEES

Eric Hinman SchultzSusan Vercillo DupreyShelby Michael Chodos

Joyce Anne Murphy, Vice ChairmanEdward Francis McCauley, CPAHedwig Veith Whitney

Scott Sears HartzJoseph Francis O'Donnell, M.D.Mary Ann Tocio, Chairman

Myechia Minter-Jordan, M.D. #Trammell Louis GutierrezEarl Wayne Baucom

Michael Joseph Shea #

State ofMassachusettsSS:

County ofNorfolk

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Eric Hinman SchultzCharles Robert GoheenTisa Kramer Hughes  
President and Chief Executive OfficerChief Financial Officer and TreasurerClerk/Secretary and Chief Legal Officer

Subscribed and sworn to before me this day ofFebruary, 2015

a. Is this an original filing? Yes [ X ] No [ ]

b. If no,  
1. State the amendment number.....  
2. Date filed .....  
3. Number of pages attached.....

Susan Greaney  
Notary Public  
08/19/2016

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D) .....	452,111,426		452,111,426	530,586,355
2. Stocks (Schedule D):				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	214,080,227	460,864	213,619,363	210,546,663
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ .....0 encumbrances) .....	24,535,753		24,535,753	24,340,324
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....	3,716,868		3,716,868	3,893,604
4.3 Properties held for sale (less \$ .....0 encumbrances) .....			0	0
5. Cash (\$ .....58,639,548 , Schedule E - Part 1), cash equivalents (\$ .....0 , Schedule E - Part 2) and short-term investments (\$ .....1,673,595 , Schedule DA) .....	60,313,143		60,313,143	(7,416,464)
6. Contract loans, (including \$ ..... premium notes) .....			0	0
7. Derivatives (Schedule DB) .....			0	0
8. Other invested assets (Schedule BA) .....	5,719,904		5,719,904	0
9. Receivables for securities .....			0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....			0	0
11. Aggregate write-ins for invested assets .....	100,571,847	25,779,008	74,792,839	1,910,688
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	861,049,168	26,239,872	834,809,296	763,861,170
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
14. Investment income due and accrued .....	2,772,955		2,772,955	3,174,657
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	15,023,484	1,251,197	13,772,287	14,312,441
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
15.3 Accrued retrospective premiums .....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	7,369,802		7,369,802	1,327,890
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....	29,328,851	262,854	29,065,997	30,430,754
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset .....			0	0
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software .....	112,653,665	106,761,880	5,891,785	11,349,409
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	5,021,624	5,021,624	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	3,085,836		3,085,836	2,756,790
24. Health care (\$ .....7,530,136 ) and other amounts receivable .....	28,547,152	6,884,140	21,663,012	23,604,678
25. Aggregate write-ins for other than invested assets .....	9,095,816	5,953,020	3,142,796	2,710,167
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,073,948,353	152,374,587	921,573,766	853,527,956
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
28. Total (Lines 26 and 27)	1,073,948,353	152,374,587	921,573,766	853,527,956
<b>DETAILS OF WRITE-INS</b>				
1101. Investment in HPHC Institute .....	25,779,008	25,779,008	0	0
1102. Investment in HPHC CT .....	13,982,268		13,982,268	
1103. Investment in HPHC New England .....	59,139,864		59,139,864	
1198. Summary of remaining write-ins for Line 11 from overflow page .....	1,670,707	0	1,670,707	1,910,688
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	100,571,847	25,779,008	74,792,839	1,910,688
2501. Prepaid Expenses and Other Assets .....	9,095,816	5,953,020	3,142,796	2,710,167
2502. ....			0	0
2503. ....			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	9,095,816	5,953,020	3,142,796	2,710,167

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ .....0 reinsurance ceded) .....	93,357,038		93,357,038	108,997,822
2. Accrued medical incentive pool and bonus amounts .....	35,789,574		35,789,574	37,779,839
3. Unpaid claims adjustment expenses .....	1,164,919		1,164,919	1,463,042
4. Aggregate health policy reserves, including the liability of \$ .....0 for medical loss ratio rebate per the Public Health Service Act .....	9,039,709		9,039,709	0
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserves .....			0	0
7. Aggregate health claim reserves .....			0	0
8. Premiums received in advance .....	40,709,981		40,709,981	25,777,133
9. General expenses due or accrued .....	92,882,090		92,882,090	84,534,146
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....			0	0
10.2 Net deferred tax liability .....			0	0
11. Ceded reinsurance premiums payable .....			0	0
12. Amounts withheld or retained for the account of others .....	187,304		187,304	58,273
13. Remittances and items not allocated .....			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
15. Amounts due to parent, subsidiaries and affiliates .....	3,504,443		3,504,443	12,515,645
16. Derivatives .....			0	0
17. Payable for securities .....			0	0
18. Payable for securities lending .....			0	0
19. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers, \$ .....0 unauthorized reinsurers and \$ .....0 certified reinsurers) .....			0	0
20. Reinsurance in unauthorized and certified (\$ ..... ) companies .....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
22. Liability for amounts held under uninsured plans .....	61,740,104		61,740,104	51,185,964
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	34,545,571	0	34,545,571	34,604,541
24. Total liabilities (Lines 1 to 23) .....	372,920,733	0	372,920,733	356,916,405
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	15,143,519	0
26. Common capital stock .....	XXX	XXX		
27. Preferred capital stock .....	XXX	XXX		
28. Gross paid in and contributed surplus .....	XXX	XXX		
29. Surplus notes .....	XXX	XXX	29,051,920	38,766,816
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
31. Unassigned funds (surplus) .....	XXX	XXX	504,457,594	457,844,735
32. Less treasury stock, at cost:				
32.1 ..... shares common (value included in Line 26 \$ ..... ) .....	XXX	XXX		
32.2 ..... shares preferred (value included in Line 27 \$ ..... ) .....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	548,653,033	496,611,551
34. Total liabilities, capital and surplus (Lines 24 and 33) .....	XXX	XXX	921,573,766	853,527,956
DETAILS OF WRITE-INS				
2301. Professional Liability Reserve–Medical Malpractice .....	453,000		453,000	453,000
2302. Deferred Rent .....	631,926		631,926	1,739,909
2303. Security Deposits .....	142,354		142,354	142,354
2398. Summary of remaining write-ins for Line 23 from overflow page .....	33,318,291	0	33,318,291	32,269,278
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above) .....	34,545,571	0	34,545,571	34,604,541
2501. ACA Industry Fee – Data Year – SSAP 106 requirement .....	XXX	XXX	15,143,519	0
2502. ....	XXX	XXX		0
2503. ....	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	XXX	XXX	15,143,519	0
3001. ....	XXX	XXX		0
3002. ....	XXX	XXX		0
3003. ....	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above) .....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,599,641	4,020,702
2. Net premium income ( including \$ ..... non-health premium income) .....	XXX	1,652,958,433	1,784,760,345
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	(7,811,652)	1,196,352
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX	0	0
5. Risk revenue .....	XXX	0	0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	1,645,146,781	1,785,956,697
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		1,081,033,378	1,219,995,028
10. Other professional services .....		43,022,001	47,786,747
11. Outside referrals .....		28,839,932	32,563,633
12. Emergency room and out-of-area .....		19,921,576	26,685,590
13. Prescription drugs .....		214,904,939	204,108,494
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts .....		35,424,993	32,923,375
16. Subtotal (Lines 9 to 15) .....	0	1,423,146,819	1,564,062,867
<b>Less:</b>			
17. Net reinsurance recoveries .....		8,376,475	1,838,301
18. Total hospital and medical (Lines 16 minus 17) .....	0	1,414,770,344	1,562,224,566
19. Non-health claims (net) .....			0
20. Claims adjustment expenses, including \$ .....20,077,541 cost containment expenses .....		45,986,156	49,243,498
21. General administrative expenses .....		190,481,193	175,092,431
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....		1,228,057	0
23. Total underwriting deductions (Lines 18 through 22).....	0	1,652,465,750	1,786,560,495
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	(7,318,969)	(603,798)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		13,526,464	14,283,290
26. Net realized capital gains (losses) less capital gains tax of \$ .....		14,620,896	340,096
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	28,147,360	14,623,386
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....	0	(6,545,411)	(2,515,395)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	14,282,980	11,504,193
31. Federal and foreign income taxes incurred .....	XXX		
32. Net income (loss) (Lines 30 minus 31) .....	XXX	14,282,980	11,504,193
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX	0	0
0602. ....	XXX		0
0603. ....	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	0	0
0701. ....	XXX		0
0702. ....	XXX		0
0703. ....	XXX		0
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. ....			0
1402. ....			0
1403. ....			0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	0	0
2901. Miscellaneous & Other Income/(Expense) .....		(6,545,411)	(2,515,395)
2902. ....			0
2903. ....			0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	(6,545,411)	(2,515,395)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	496,611,551	481,136,887
34. Net income or (loss) from Line 32 .....	14,282,980	11,504,193
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	(19,839,313)	25,542,893
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....		
39. Change in nonadmitted assets .....	(6,665,507)	(5,951,755)
40. Change in unauthorized and certified reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	(9,714,896)	(9,714,897)
43. Cumulative effect of changes in accounting principles.....	0	(5,905,770)
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....	0	
47. Aggregate write-ins for gains or (losses) in surplus .....	73,978,218	0
48. Net change in capital and surplus (Lines 34 to 47) .....	52,041,482	15,474,664
49. Capital and surplus end of reporting period (Line 33 plus 48)	548,653,033	496,611,551
DETAILS OF WRITE-INS		
4701. Increase in Surplus for HPHC of New England net worth (see Note #10) .....	74,777,082	
4702. Change in net prior service costs and recognized loss for postretirement medical plan .....	(798,864)	
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	73,978,218	0

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	1,670,689,155	1,767,186,860
2. Net investment income .....	16,211,591	17,712,485
3. Miscellaneous income .....	317,759	(7,004,892)
4. Total (Lines 1 through 3) .....	1,687,218,505	1,777,894,453
5. Benefit and loss related payments .....	1,437,141,877	1,595,300,857
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	181,944,798	184,624,844
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	0	0
10. Total (Lines 5 through 9) .....	1,619,086,675	1,779,925,701
11. Net cash from operations (Line 4 minus Line 10) .....	68,131,830	(2,031,248)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	159,343,351	225,968,452
12.2 Stocks .....	45,495,129	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0
12.7 Miscellaneous proceeds .....	0	1,352,447
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	204,838,480	227,320,899
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	82,988,465	227,115,898
13.2 Stocks .....	50,490,943	18,609,790
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	1,244,374	31,666
13.5 Other invested assets .....	5,651,577	0
13.6 Miscellaneous applications .....	18,935,037	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	159,310,396	245,757,354
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	45,528,084	(18,436,455)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	(9,714,896)	(9,714,897)
16.2 Capital and paid in surplus, less treasury stock .....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied) .....	(36,215,411)	(40,407,805)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(45,930,307)	(50,122,702)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	67,729,607	(70,590,405)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	(7,416,464)	63,173,941
19.2 End of year (Line 18 plus Line 19.1) .....	60,313,143	(7,416,464)

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Increase in Surplus for HPHC of New England net worth (see Note #10) .....	74,777,082	
20.0002. ....		
20.0003. ....		
20.0004. ....		

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	1,652,958,433	1,652,723,932					234,501			
2. Change in unearned premium reserves and reserve for rate credit .....	(7,811,652)	(7,811,652)								
3. Fee-for-service (net of \$ ..... medical expenses) .....	0									XXX
4. Risk revenue .....	0									XXX
5. Aggregate write-ins for other health care related revenues .....	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6) .....	1,645,146,781	1,644,912,280	0	0	0	0	234,501	0	0	0
8. Hospital/medical benefits .....	1,081,033,378	1,080,392,948					640,430			XXX
9. Other professional services .....	43,022,001	43,014,242					7,759			XXX
10. Outside referrals .....	28,839,932	28,822,040					17,892			XXX
11. Emergency room and out-of-area .....	19,921,576	19,909,217					12,359			XXX
12. Prescription drugs .....	214,904,939	214,378,968					525,971			XXX
13. Aggregate write-ins for other hospital and medical .....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	35,424,993	35,381,616					43,377			XXX
15. Subtotal (Lines 8 to 14) .....	1,423,146,819	1,421,899,031	0	0	0	0	1,247,788	0	0	XXX
16. Net reinsurance recoveries .....	8,376,475	8,376,475								XXX
17. Total medical and hospital (Lines 15 minus 16) .....	1,414,770,344	1,413,522,556	0	0	0	0	1,247,788	0	0	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ .....20,077,541 cost containment expenses .....	45,986,156	45,250,659					735,497			
20. General administrative expenses .....	190,481,193	169,763,359	0	0	0	0	2,692,443	0	18,025,391	0
21. Increase in reserves for accident and health contracts .....	1,228,057						1,228,057			XXX
22. Increase in reserves for life contracts .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22) .....	1,652,465,750	1,628,536,574	0	0	0	0	5,903,785	0	18,025,391	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23) .....	(7,318,969)	16,375,706	0	0	0	0	(5,669,284)	0	(18,025,391)	0
DETAILS OF WRITE-INS .....										XXX
0501. ....										XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0	XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	1,654,001,253		1,277,321	1,652,723,932
2.	Medicare Supplement .....				0
3.	Dental only .....				0
4.	Vision only .....				0
5.	Federal Employees Health Benefits Plan .....	0			0
6.	Title XVIII - Medicare .....	234,861		359	234,502
7.	Title XIX - Medicaid .....	0			0
8.	Other health .....				0
9.	Health subtotal (Lines 1 through 8) .....	1,654,236,114	0	1,277,680	1,652,958,434
10.	Life .....	0			0
11.	Property/casualty .....	0			0
12.	Totals (Lines 9 to 11)	1,654,236,114	0	1,277,680	1,652,958,434



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,400,833,126	1,399,860,019					973,107			
1.2 Reinsurance assumed	.0									
1.3 Reinsurance ceded	2,334,564	2,334,564								
1.4 Net	1,398,498,562	1,397,525,455	.0	.0	.0	.0	973,107	.0	.0	.0
2. Paid medical incentive pools and bonuses	37,415,258	37,548,929					(133,671)			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	93,357,038	93,135,235	.0	.0	.0	.0	221,803	.0	.0	.0
3.2 Reinsurance assumed	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net	93,357,038	93,135,235	.0	.0	.0	.0	221,803	.0	.0	.0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	.0									
4.2 Reinsurance assumed	.0									
4.3 Reinsurance ceded	.0									
4.4 Net	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year	35,789,574	35,612,526					177,048			
6. Net healthcare receivables (a)	(2,529,485)	(2,519,985)					(9,500)			
7. Amounts recoverable from reinsurers December 31, current year	7,369,802	7,369,802								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	108,997,822	108,997,822	.0	.0	.0	.0	.0	.0	.0	.0
8.2 Reinsurance assumed	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net	108,997,822	108,997,822	.0	.0	.0	.0	.0	.0	.0	.0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	.0									
9.2 Reinsurance assumed	.0									
9.3 Reinsurance ceded	.0									
9.4 Net	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
10. Accrued medical incentive pools and bonuses, prior year	37,779,839	37,779,839	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	1,327,890	1,327,890	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	1,387,721,827	1,386,517,417	.0	.0	.0	.0	1,204,410	.0	.0	.0
12.2 Reinsurance assumed	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12.3 Reinsurance ceded	8,376,476	8,376,476	0	0	0	0	0	0	0	0
12.4 Net	1,379,345,351	1,378,140,941	0	0	0	0	1,204,410	0	0	0
13. Incurred medical incentive pools and bonuses	35,424,993	35,381,616	0	0	0	0	43,377	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	21,331,625	21,280,944					50,681			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	0									
1.4 Net .....	21,331,625	21,280,944	0	0	0	0	50,681	0	0	0
2. Incurred but Unreported:										
2.1 Direct .....	69,950,792	69,779,670					171,122			
2.2 Reinsurance assumed .....	0									
2.3 Reinsurance ceded .....	0									
2.4 Net .....	69,950,792	69,779,670	0	0	0	0	171,122	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	2,074,621	2,074,621								
3.2 Reinsurance assumed .....	0									
3.3 Reinsurance ceded .....	0									
3.4 Net .....	2,074,621	2,074,621	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct .....	93,357,038	93,135,235	0	0	0	0	221,803	0	0	0
4.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
4.4 Net .....	93,357,038	93,135,235	0	0	0	0	221,803	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....	74,565,226	1,316,918,316	993,924	92,141,311	75,559,150	108,997,822
2. Medicare Supplement .....					0	0
3. Dental Only .....					0	0
4. Vision Only .....					0	0
5. Federal Employees Health Benefits Plan .....					0	0
6. Title XVIII - Medicare .....		973,108		221,803	0	0
7. Title XIX - Medicaid .....					0	0
8. Other health .....					0	0
9. Health subtotal (Lines 1 to 8) .....	74,565,226	1,317,891,424	993,924	92,363,114	75,559,150	108,997,822
10. Healthcare receivables (a) .....	488,026	7,042,110			488,026	10,059,621
11. Other non-health .....					0	0
12. Medical incentive pools and bonus amounts .....	24,616,021	12,799,237	5,611,219	30,178,355	30,227,240	37,779,839
13. Totals (Lines 9 - 10 + 11 + 12)	98,693,221	1,323,648,551	6,605,143	122,541,469	105,298,364	136,718,040

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	145,838	148,635	148,384	148,384	148,384
2.	2010 .....	1,617,763	1,731,411	1,731,398	1,731,057	1,731,057
3.	2011 .....	XXX	1,662,203	1,778,668	1,779,641	1,779,191
4.	2012 .....	XXX	XXX	1,533,412	1,670,565	1,673,075
5.	2013 .....	XXX	XXX	XXX	1,456,186	1,553,307
6.	2014 .....	XXX	XXX	XXX	XXX	1,329,851

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	150,724	148,715	148,615	148,384	148,384
2.	2010 .....	1,775,320	1,735,311	1,731,710	1,731,066	1,731,057
3.	2011 .....	XXX	1,802,593	1,783,665	1,779,984	1,779,438
4.	2012 .....	XXX	XXX	1,703,594	1,679,280	1,673,264
5.	2013 .....	XXX	XXX	XXX	1,593,898	1,559,476
6.	2014 .....	XXX	XXX	XXX	XXX	1,451,994

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2010 .....	1,968,690	1,731,057	42,971	2.5	1,774,028	90.1			1,774,028	90.1
2.	2011 .....	2,046,049	1,779,191	38,593	2.2	1,817,784	88.8	247	2	1,818,033	88.9
3.	2012 .....	1,919,778	1,673,075	51,725	3.1	1,724,800	89.8	189	2	1,724,991	89.9
4.	2013 .....	1,785,957	1,553,307	48,731	3.1	1,602,038	89.7	6,169	56	1,608,263	90.1
5.	2014 .....	1,644,912	1,329,851	39,732	3.0	1,369,583	83.3	122,143	1,102	1,492,828	90.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	30,420	30,028	30,004	30,004	30,004
2.	2010 .....	281,735	317,742	317,989	317,989	317,940
3.	2011 .....	XXX	0	4	4	4
4.	2012 .....	XXX	XXX			
5.	2013 .....	XXX	XXX	XXX		
6.	2014 .....	XXX	XXX	XXX	XXX	888

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	30,606	30,028	30,004	30,004	30,004
2.	2010 .....	323,564	317,793	317,989	317,989	317,940
3.	2011 .....	XXX	0	4	4	4
4.	2012 .....	XXX	XXX			
5.	2013 .....	XXX	XXX	XXX		
6.	2014 .....	XXX	XXX	XXX	XXX	1,287

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2010 .....	333,286	317,940	6,317	2.0	324,257	97.3			324,257	97.3
2. 2011 .....	380	4	446	11,150.0	450	118.4			450	118.4
3. 2012 .....	3,239			0.0	0	0.0			0	0.0
4. 2013 .....	0		73	0.0	73	0.0			73	0.0
5. 2014 .....	235	888	676	76.1	1,564	665.5	399	3	1,966	836.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	176,258	178,663	178,388	178,388	178,388
2.	2010 .....	1,899,498	2,049,153	2,049,387	2,049,046	2,048,997
3.	2011 .....	XXX	1,662,203	1,778,672	1,779,645	1,779,195
4.	2012 .....	XXX	XXX	1,533,412	1,670,565	1,673,075
5.	2013 .....	XXX	XXX	XXX	1,456,186	1,553,307
6.	2014 .....	XXX	XXX	XXX	XXX	1,330,739

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2010	2 2011	3 2012	4 2013	5 2014
1.	Prior .....	181,330	178,743	178,619	178,388	178,388
2.	2010 .....	2,098,884	2,053,104	2,049,699	2,049,055	2,048,997
3.	2011 .....	XXX	1,802,593	1,783,669	1,779,988	1,779,442
4.	2012 .....	XXX	XXX	1,703,594	1,679,280	1,673,264
5.	2013 .....	XXX	XXX	XXX	1,593,898	1,559,476
6.	2014 .....	XXX	XXX	XXX	XXX	1,453,281

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2010 .....	2,301,976	2,048,997	49,288	2.4	2,098,285	91.2	0	0	2,098,285	91.2
2. 2011 .....	2,046,429	1,779,195	39,039	2.2	1,818,234	88.8	247	2	1,818,483	88.9
3. 2012 .....	1,923,017	1,673,075	51,725	3.1	1,724,800	89.7	189	2	1,724,991	89.7
4. 2013 .....	1,785,957	1,553,307	48,804	3.1	1,602,111	89.7	6,169	56	1,608,336	90.1
5. 2014 .....	1,645,147	1,330,739	40,408	3.0	1,371,147	83.3	122,542	1,105	1,494,794	90.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	0								
2. Additional policy reserves (a) .....	1,228,057						1,228,057		
3. Reserve for future contingent benefits .....	0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... ) for investment income .....	7,811,652	7,811,652							
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0
6. Totals (gross) .....	9,039,709	7,811,652	0	0	0	0	1,228,057	0	0
7. Reinsurance ceded .....	0								
8. Totals (Net)(Page 3, Line 4) .....	9,039,709	7,811,652	0	0	0	0	1,228,057	0	0
9. Present value of amounts not yet due on claims .....	0								
10. Reserve for future contingent benefits .....	0								
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (gross) .....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded .....	0								
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....1,228,057 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ ..... for occupancy of own building) .....	825,625	872,823	2,940,440		4,638,888
2. Salary, wages and other benefits .....	13,041,043	13,786,559	46,445,319		73,272,921
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....			42,215,329		42,215,329
4. Legal fees and expenses .....	144,110	152,348	513,244		809,702
5. Certifications and accreditation fees .....	46,578	49,241	165,887		261,706
6. Auditing, actuarial and other consulting services ....	3,959,718	4,186,083	14,102,428		22,248,229
7. Traveling expenses .....	252,010	266,416	897,525		1,415,951
8. Marketing and advertising .....			4,548,905		4,548,905
9. Postage, express and telephone .....	624,596	660,302	2,224,480		3,509,378
10. Printing and office supplies .....	164,811	174,233	586,970		926,014
11. Occupancy, depreciation and amortization .....	606,382	641,047	2,159,612		3,407,041
12. Equipment .....	187,066	197,760	666,230		1,051,056
13. Cost or depreciation of EDP equipment and software .....	4,097,217	4,331,442	14,592,127		23,020,786
14. Outsourced services including EDP, claims, and other services .....	14,702,436	15,542,930	52,362,329		82,607,695
15. Boards, bureaus and association fees .....					0
16. Insurance, except on real estate .....	65,527	69,273	233,372		368,172
17. Collection and bank service charges .....					0
18. Group service and administration fees .....					0
19. Reimbursements by uninsured plans .....	(19,680,744)	(16,122,529)	(32,121,549)		(67,924,822)
20. Reimbursements from fiscal intermediaries .....					0
21. Real estate expenses .....	82,717	87,446	294,594		464,757
22. Real estate taxes .....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					0
23.2 State premium taxes .....			3,234,825		3,234,825
23.3 Regulatory authority licenses and fees .....			31,005,635		31,005,635
23.4 Payroll taxes .....	756,951	800,224	2,695,862		4,253,037
23.5 Other (excluding federal income and real estate taxes) .....					0
24. Investment expenses not included elsewhere .....				1,050,661	1,050,661
25. Aggregate write-ins for expenses .....	201,498	213,017	717,629	0	1,132,144
26. Total expenses incurred (Lines 1 to 25) .....	20,077,541	25,908,615	190,481,193	1,050,661	(a) .....237,518,010
27. Less expenses unpaid December 31, current year ..		1,164,919	92,882,090		94,047,009
28. Add expenses unpaid December 31, prior year .....	0	1,463,042	84,534,146	0	85,997,188
29. Amounts receivable relating to uninsured plans, prior year .....	0	0	30,573,592	0	30,573,592
30. Amounts receivable relating to uninsured plans, current year .....			29,328,851		29,328,851
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	20,077,541	26,206,738	180,888,508	1,050,661	228,223,448
DETAILS OF WRITE-INS					
2501. Miscellaneous Expenses .....	201,498	213,017	717,629		1,132,144
2502. ....					
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	201,498	213,017	717,629	0	1,132,144

(a) Includes management fees of \$ ..... to affiliates and \$ ..... to non-affiliates.



EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds .....	(a) .....408,603	.....400,972
1.1	Bonds exempt from U.S. tax .....	(a) .....	.....
1.2	Other bonds (unaffiliated) .....	(a) .....14,770,226	.....14,376,080
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....2,995,814	.....2,995,814
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5	Contract Loans .....	.....	.....
6	Cash, cash equivalents and short-term investments .....	(e) .....1,123	.....1,123
7	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....40,352	.....40,352
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	18,216,118	17,814,341
11.	Investment expenses .....		(g) .....1,050,661
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....0
13.	Interest expense .....		(h) .....3,237,216
14.	Depreciation on real estate and other invested assets .....		(i) .....
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....4,287,877
17.	Net investment income (Line 10 minus Line 16)		13,526,464
DETAILS OF WRITE-INS			
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ .....315,903 accrual of discount less \$ .....2,599,328 amortization of premium and less \$ .....77,487 paid for accrued interest on purchases.
- (b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued dividends on purchases.
- (c) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.
- (d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.
- (e) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.
- (f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.
- (g) Includes \$. ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.
- (i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	0	0	0	0	0
1.1	Bonds exempt from U.S. tax .....	.....	.....	0	.....	.....
1.2	Other bonds (unaffiliated) .....	134,675	0	134,675	28,705	0
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	14,485,569	0	14,485,569	(3,267,182)	0
2.21	Common stocks of affiliates .....	0	0	0	(12,680,635)	0
3.	Mortgage loans .....	.....	0	0	0	0
4.	Real estate .....	.....	0	0	.....	0
5.	Contract loans .....	.....	.....	0	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	0	.....	.....
7.	Derivative instruments .....	.....	.....	0	.....	.....
8.	Other invested assets .....	652	0	652	68,327	0
9.	Aggregate write-ins for capital gains (losses) .....	0	0	0	(3,988,528)	0
10.	Total capital gains (losses)	14,620,896	0	14,620,896	(19,839,313)	0
DETAILS OF WRITE-INS						
0901.	Investment in HPHC Institute .....	.....	.....	0	1,666,432	.....
0902.	Investment in HPHC New England .....	.....	.....	0	(3,637,228)	.....
0903.	Investment in HPHC CT .....	.....	.....	0	(2,017,732)	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	(3,988,528)	0

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....		0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....		0	0
2.2 Common stocks .....	460,864	0	(460,864)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....		0	0
3.2 Other than first liens.....		0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....		0	0
4.2 Properties held for the production of income.....		0	0
4.3 Properties held for sale .....		0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....		0	0
6. Contract loans .....		0	0
7. Derivatives (Schedule DB) .....		0	0
8. Other invested assets (Schedule BA) .....		0	0
9. Receivables for securities .....		0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....		0	0
11. Aggregate write-ins for invested assets .....	25,779,008	24,112,576	(1,666,432)
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	26,239,872	24,112,576	(2,127,296)
13. Title plants (for Title insurers only) .....		0	0
14. Investment income due and accrued .....		0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	1,251,197	2,280,860	1,029,663
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....		0	0
15.3 Accrued retrospective premiums .....		0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....		0	0
16.2 Funds held by or deposited with reinsured companies .....		0	0
16.3 Other amounts receivable under reinsurance contracts .....		0	0
17. Amounts receivable relating to uninsured plans .....	262,854	142,838	(120,016)
18.1 Current federal and foreign income tax recoverable and interest thereon .....		0	0
18.2 Net deferred tax asset .....		0	0
19. Guaranty funds receivable or on deposit .....		0	0
20. Electronic data processing equipment and software .....	106,761,880	97,196,886	(9,564,994)
21. Furniture and equipment, including health care delivery assets .....	5,021,624	6,963,024	1,941,400
22. Net adjustment in assets and liabilities due to foreign exchange rates .....		0	0
23. Receivable from parent, subsidiaries and affiliates .....		1,742,654	1,742,654
24. Health care and other amounts receivable .....	6,884,140	7,789,718	905,578
25. Aggregate write-ins for other than invested assets .....	5,953,020	5,480,524	(472,496)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	152,374,587	145,709,080	(6,665,507)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		0	0
28. Total (Lines 26 and 27) .....	152,374,587	145,709,080	(6,665,507)
<b>DETAILS OF WRITE-INS</b>			
1101. HPHC Institute .....	25,779,008	24,112,576	(1,666,432)
1102. ....		0	0
1103. ....		0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	25,779,008	24,112,576	(1,666,432)
2501. Prepaid Expenses and Other Assets .....	5,953,020	5,480,524	(472,496)
2502. ....		0	0
2503. ....		0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	5,953,020	5,480,524	(472,496)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	293,425	280,695	265,391	259,620	263,558	3,200,573
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....	33,954	32,613	32,357	32,349	33,140	392,060
4. Point of Service .....	1,414	1,307	1,339	1,314	1,331	7,008
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	328,793	314,615	299,087	293,283	298,029	3,599,641
DETAILS OF WRITE-INS						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

## 1. Summary of Significant Accounting Policies

### A. Accounting Practices

The accompanying financial statements of Harvard Pilgrim Health Care, Inc. ("Harvard Pilgrim" or "the Company") have been prepared in accordance with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual for statutory accounting principles ("NAIC SAP") which do not differ from the accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts.

Harvard Pilgrim's net income and capital and surplus, based on NAIC SAP and practices prescribed and permitted by the Commonwealth of Massachusetts is shown below (amounts are in thousands):

	State of Domicile	December 31, 2014	December 31, 2013
Net Income (Loss)			
(1) Company state basis (Page 4, Line 32, Columns 2&4)	MA	\$ 14,283	\$ 11,504
(2) State Prescribed Practices that increase (decrease) NAIC SAP:	MA		
(3) State Permitted Practices that increase (decrease) NAIC SAP:	MA		
(4) NAIC SAP (1-2-3=4)	MA	\$ 14,283	\$ 11,504
Surplus			
(5) Company state basis (Page 3, Line 33, Columns 3&4)	MA	\$ 548,653	\$ 496,612
(6) State Prescribed Practices that increase (decrease) NAIC SAP:	MA		
(7) State Permitted Practices that increase (decrease) NAIC SAP:	MA		
(8) NAIC SAP (5-6-7=8)	MA	\$ 548,653	\$ 496,612

### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with NAIC SAP requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The methods and assumptions used for making such estimates are reviewed regularly. Actual results could differ from those estimates. The claims unpaid liability, accrued medical incentive pool, Medical Loss Ratio rebate accrual ("MLR") and accruals for risk sharing provisions under the Federal Affordable Care Act ("ACA") represent the Company's most significant estimates.

### C. Accounting Policies

#### Cash and Short-Term Investments

Cash and short-term investments include amounts on deposit with banks and mutual fund investments with original maturities of less than one year as well as government and corporate debt issues with original maturities of three months or less. Short-term investments are carried at amortized cost, which approximates estimated market value.

#### Bonds and Preferred Stock

Investments in bonds and preferred stock are stated at amortized cost or the lower of amortized cost or fair value based on their NAIC designation. Investments in bonds are primarily comprised of government and corporate debt issues and asset-backed/mortgage-backed securities. Realized gains and losses are determined using the specific identification method and are included in investment income. Investment income is reported net of expenses related to the management and custody of investments.

#### Investments in Non-Profit Affiliates

Harvard Pilgrim has investments in affiliated non-profit entities, including insurance affiliates Harvard Pilgrim Health Care of New England, Inc. ("New England") and Harvard Pilgrim Health Care of Connecticut, Inc. ("HPHC CT"), as well as Harvard Pilgrim Health Care Institute, LLC (the "Institute"). The carrying value of the Institute is treated as a non-admitted asset and the carrying values which equal the statutory net worth of New England and HPHC CT are treated as admitted assets reported as aggregate write-ins for invested assets in the financial statements in accordance with *Statement of Statutory Accounting Principles (SSAP) No. 97, Investment in Subsidiary, Controlled and Affiliated Entities, A replacement of SSAP No. 88*. See Note 10. All changes to the carrying value of the subsidiaries are recorded as a component of unrealized gains and losses. Unrealized gains and losses are recorded directly to statutory net worth.

#### Common Stock

Common stock includes the investment in equity securities which are stated at fair value and the investment in unconsolidated subsidiaries which is recorded using the equity method. For the insurance subsidiary, HPHC Insurance Company Inc. ("the Insurance Company"), the investment is carried at the statutory net worth of the subsidiary. For the non-insurance subsidiaries, the investment is carried at the Generally Accepted Accounting Principles ("GAAP") equity of the investee plus the applicable remaining goodwill balance. All changes to the carrying value of the subsidiaries are recorded as a component of unrealized gains and losses. Unrealized gains and losses are recorded directly to statutory net worth.

**Real Estate, Furniture and Equipment**

Real estate (including improvements), furniture and equipment are carried at depreciated cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	20–40 years
Equipment, furniture, and fixtures	3–20 years
Computer software and operating systems	3–5 years

Amortization of leasehold improvements is calculated using the shorter of the asset’s estimated useful life or related lease term. Mortgage obligations (the "Mortgage") of \$29.0 million are included in aggregate write-ins for other liabilities.

Harvard Pilgrim has not made material modifications to its capitalization policy from the prior period.

**Other Invested Assets**

Harvard Pilgrim invests in certain limited partnerships and reports the investments based in its ownership in the underlying GAAP equity of the investee in accordance with SSAP No. 48, “Joint Ventures, Partnerships and Limited Liability Companies.” These investments are included in Other Invested Assets on the balance sheet. All changes to the carrying value of these investments are recorded as a component of unrealized gains and losses which are recorded directly to statutory net worth.

**Pharmaceutical Rebate Receivables**

Harvard Pilgrim contracts with pharmaceutical manufacturers, some of whom provide rebates based on use of the manufacturers' products by Harvard Pilgrim members. Harvard Pilgrim accrues rebates receivable on a monthly basis, which are included as a component of premium and health care receivables or uninsured plan receivables, based on the terms of the applicable contracts, historical data and current estimates. Harvard Pilgrim bills these rebates to the manufacturers on a quarterly basis. Harvard Pilgrim records rebates attributable to fully insured members as a reduction in medical costs.

**Goodwill**

Goodwill represents the amount by which the cost of acquiring an entity exceeds the book value of the acquired entity. Goodwill is amortized over the period in which Harvard Pilgrim benefits economically, not to exceed ten years and is charged directly to statutory net worth. Positive goodwill resulting from a business combination is included in the carrying value of the investment in the acquired entity in the statutory statement of admitted assets, liabilities and statutory net worth.

**Premium Deficiency Reserve**

Harvard Pilgrim evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future paid claims, administrative expenses, and reserves will exceed existing reserves plus anticipated future premiums on existing contracts. Anticipated investment income is considered in the calculation of premium deficiency losses.

**Claims Unpaid, Accrued Medical Incentive Pool and Unpaid Claims Adjustment Expenses**

Harvard Pilgrim records claims unpaid, for both reported and incurred but not reported claims, which are expected to be paid after year-end for services provided to members in the current year based on Harvard Pilgrim’s claim experience. This liability includes the estimated cost of services that will continue to be rendered after December 31 for which Harvard Pilgrim is obligated to pay for such services in accordance with contract provisions or regulatory requirements. The amount of the estimated liability is actuarially determined based on historical claims data, current membership statistics, cost and utilization trends, and other related information and considers expected losses, if any, on existing contracts. This liability is an estimate which is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Accordingly, this estimate is continuously reviewed and, as adjustments become necessary, they are reflected in current operations.

Harvard Pilgrim records an accrued medical incentive pool liability based on contractual arrangements with various health care providers. Compensation arrangements vary by provider. Hospital and medical expenses include claims payments, capitation payments, and various other costs incurred to provide and manage medical care to members, as well as estimates of future payments to hospitals and others for medical care provided to members through December 31. Certain providers are paid on a fee for service basis and can be eligible for bonuses based on meeting prescribed quality performance measures. Harvard Pilgrim pays capitation under contractual agreements to a number of physicians and provider groups based on the number of enrolled Harvard Pilgrim members served by each physician or provider group. Certain providers have entered into risk-sharing arrangements with Harvard Pilgrim, whereby a settlement is calculated by comparing actual medical claims experience to a budgeted amount based upon contractual arrangements. These settlements are estimated and accrued during the period the related services were rendered and adjusted in future periods, as final settlements are determined. Estimated settlements for these risk-sharing arrangements are reflected in the accrued medical incentive pool liability.

Harvard Pilgrim records a related unpaid claim adjustment expense liability to reflect the cost to adjudicate the claims unpaid at the balance sheet date. The unpaid claim adjustment expense liability is estimated as a percentage of the claims unpaid based on historical information on the administrative cost to adjudicate a claim.

### Medical Loss Ratio Rebates

Harvard Pilgrim records its liability for MLR rebates in aggregate health policy reserves based on the requirements of the ACA in accordance with SSAP No. 66, "*Retrospectively Rated Contracts*," ("SSAP No. 66"). SSAP No. 66 requires Harvard Pilgrim to accrue for the estimated amount of premiums to be returned retrospectively to an employer group or member as an adjustment to premium revenue. Harvard Pilgrim estimates the amount of the retrospective rebate based on the difference between the estimated medical loss ratio of each employer group segment as defined by the ACA, as of December 31st of each year, and the minimum MLR requirements for those employer group segments either under ACA requirements or individual state requirements, if the state has a higher MLR requirement than the ACA. The state of Massachusetts has set an MLR threshold of 89% for 2014 for the merged market segments as defined by Massachusetts state law. See Note 24.

### Non-admitted Assets

Certain assets, principally prepaid expenses, furniture, leasehold improvement, investment in unconsolidated subsidiary, past due premium and healthcare receivables, uninsured plan receivables, past due receivables from subsidiaries and affiliates, and electronic data processing equipment in excess of the admissibility criteria are non-admitted and, as such, are not included in statutory surplus.

### Revenue Recognition

Premiums are recorded as revenue in the month for which members are entitled to service. Premium revenue collected prior to the month for which the member is entitled to service is recorded as premium received in advance. Harvard Pilgrim's government contracts establish monthly rates per member. There may be additional amounts due to Harvard Pilgrim based on items such as age, working status, or specific health issues of the member. The Center for Medicare & Medicaid Services ("CMS") has implemented a risk adjustment formula, which apportions premiums paid to all Medicare advantage health plans according to the health status of each beneficiary enrolled.

In 2012, Harvard Pilgrim received a final reconciliation amount of \$4.9 million from CMS for the Medicare Advantage Plan which was terminated in 2010. In March 2014, Harvard Pilgrim identified an error in the risk adjustment submission to CMS related to this final reconciliation. This resulted in a correction to the final reconciliation amount and Harvard Pilgrim issued a refund of \$1.2 million to CMS. The refund amount was recorded as a reduction to written premium.

### Assessments

In accordance with SSAP No. 35R, "*Guaranty Fund and Other Assessments*," insurance-related assessments are recognized as liabilities when certain conditions are met. The assessments are recorded as administrative expenses, except for certain health related assessments which are recorded as a component of medical and hospital expenses.

### Risk Sharing Provisions of the Affordable Care Act

#### Reinsurance

The ACA established a temporary three-year reinsurance program, whereby all issuers of major medical commercial insurance products and self-insured plan sponsors are required to contribute funding in amounts set by the U.S. Department of Health and Human Services ("HHS"). Funds collected will be utilized to reimburse issuers' high cost claims costs incurred for qualified individual members. The expense related to this required funding is reflected in general administrative expense for all of Harvard Pilgrim's insurance products with the exception of products associated with qualified individual members. The expense for qualified individual members is reflected as a reduction of premium revenue. When annual claim costs incurred by Harvard Pilgrim's qualified individual members exceed a specified attachment point, the Company is entitled to certain reimbursements from this program. Harvard Pilgrim records amounts recoverable from reinsurers as ceded claim benefit recoveries to reflect its estimate of these recoveries.

#### Risk Adjustment

The ACA established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to those respective plans with above average risk scores. Based on the risk of Harvard Pilgrim's qualified plan members relative to the average risk of members of other qualified plans in comparable markets, the Company estimates its risk adjustment receivable or payable and reflects the impact as an adjustment to premium revenue.

#### Risk Corridor

The ACA established a temporary three-year risk sharing program for qualified individual and small group insurance plans. Under this program Harvard Pilgrim will make payments to or receive payments from HHS based on the ratio of allowable costs to target costs as defined by the ACA. Harvard Pilgrim records a risk corridor receivable or payable as an adjustment to premium revenue.

### Other

Accounting policies are not applicable for mortgage loans and derivatives.

## 2. Accounting Changes and Corrections of Errors

There were no accounting changes or corrections of errors for the years ended December 31, 2014 and 2013.

## 3. Business Combinations and Goodwill

Goodwill amortization from prior business combinations was \$1.3 million for both the years ended December 31, 2014 and 2013.

**4. Discontinued Operations**

Harvard Pilgrim had no discontinued operations for the years ended December 31, 2014 and 2013.

**5. Investments****A. Mortgage Loans - None****B. Debt Restructuring - None****C. Reverse Mortgages - None****D. Loan-Backed Securities**

(1) Prepayment assumptions for single class and multiclass mortgage-backed / asset-backed securities were obtained from third party providers.

(2) The Company has the ability and intent to retain all loan-backed and structured securities for the period of time sufficient to recover the amortized cost basis. The Company had no securities with recognized other-than-temporary impairments during 2014 and 2013.

(3) The Company did not hold any securities with a recognized other-than-temporary impairment on December 31, 2014 and 2013.

(4) For all impaired securities (fair value is less than cost or amortized cost) for which other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains), the aggregate amount of unrealized losses and related fair value as of December 31, 2014 are as follows: (amounts in thousands)

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ (52)
2. 12 Months or Longer	\$ (1,131)

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$ 24,986
2. 12 Months or Longer	\$ 62,951

**E. Repurchase Agreements and/or Securities Lending Transactions - None****F. Real Estate**

(1) The Company did not recognize any real estate impairment losses.

(2) The Company did not sell or classify any real estate investments as held for sale.

(3) The Company had no plan of sale for an investment in real estate.

(4) The Company does not engage in retail land sales operations.

(5) The Company holds real estate investments with mortgage loans in the amount of \$29 million as of December 31, 2014.

**G. Investments in Low-income Housing Tax Credits (LIHTC) - None****H. Restricted Assets** (amounts in thousands):

Restricted Asset Category		1 Total Gross Restricted from Current Year	2 Total Gross Restricted from Prior Year	3 Increase / (Decrease) (1 minus 2)	4 Total Current Year Admitted Restricted	5 Percentage Gross Restricted to Total Assets	6 Percentage Admitted Restricted to Total Admitted Assets
a.	Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	-	-
b.	Collateral held under security lending agreements	-	-	-	-	-	-
c.	Subject to repurchase agreements	-	-	-	-	-	-
d.	Subject to reverse repurchase agreements	-	-	-	-	-	-
e.	Subject to dollar repurchase agreements	-	-	-	-	-	-
f.	Subject to dollar reverse repurchase agreements	-	-	-	-	-	-
g.	Placed under option contracts	-	-	-	-	-	-
h.	Letter stock or securities restricted as to sale - excluding FHLB capital stock.	-	-	-	-	-	-
i.	FHLB capital stock						
j.	On deposit with states	\$ 3,483	\$ 3,769	\$ (286)	3,483	0.32%	0.38%
k.	On deposit with other regulatory bodies	-	-	-	-	-	-
l.	Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-
m.	Pledged as collateral not captured in other categories						
n.	Other restricted assets	\$ 1,454	1,699	(245)	\$ 1,454	0.14%	0.16%
o.	Total Restricted Assets	\$ 4,937	\$ 5,468	\$ (531)	\$ 4,937	0.46%	0.54%

**I. Working Capital Finance Investments - None**

**J. Offsetting and Netting of Assets and Liabilities - None**

**K. Structured Notes - None**

**6. Joint Ventures, Partnerships and Limited Liability Companies**

- A. Harvard Pilgrim did not have any investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its admitted assets at December 31, 2014 and 2013.
- B. Harvard Pilgrim did not recognize any impairment write down for its investments in joint ventures, partnerships or limited liability companies for the years ended December 31, 2014 and 2013.

**7. Investment Income**

- A. All investment income due and accrued with amounts that are over 90 days past due are non-admitted and excluded from surplus.
- B. Harvard Pilgrim did not have non-admitted investment income due and accrued for the years ended December 31, 2014 and 2013.

**8. Derivative Instruments**

Harvard Pilgrim did not hold any derivative instruments at December 31, 2014 and 2013.

**9. Income Taxes**

Harvard Pilgrim is tax exempt under section 501(C)(3) of the Internal Revenue code.

**10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

Harvard Pilgrim conducts transactions with a number of affiliates. Below is a description of transactions with affiliates:

HPHC Holdings, Inc. ("Holdings") is a for-profit noninsurance wholly owned subsidiary of Harvard Pilgrim. In January 2014, Harvard Pilgrim made a capital contribution of \$9 million to Holdings. Holdings used this capital to acquire all of the outstanding membership interests of MedWatch LLC ("MedWatch"), a care management company. The investment in Holdings is reported as common stock on the Harvard Pilgrim balance sheet. HPHC Holdings owed \$0.5 million to Harvard Pilgrim as of December 31, 2014. Intercompany balances are settled quarterly, following the close of the quarter.

In 2014, Harvard Pilgrim made capital contributions totaling \$16 million to a newly formed insurance affiliate, HPHC CT. HPHC CT received its initial certificate of insurance from the State of Connecticut in April 2014 and began writing health insurance policies effective July 1, 2014. Harvard Pilgrim provides all administrative and operational management services to HPHC CT. Administrative expenses are allocated to HPHC CT based on Harvard Pilgrim's departmental cost allocation methodology. For the year ended December 31, 2014 total gross administrative expenses and claim adjustment expenses allocated to HPHC CT was \$2.0 million. HPHC CT owed \$0.1 million to Harvard Pilgrim as of December 31, 2014. Intercompany balances are settled quarterly, following the close of the quarter.

Harvard Pilgrim provides all administrative and operational management services to New England. Administrative expenses are allocated to New England based on Harvard Pilgrim's departmental cost allocation methodology. For the years ended December 31, 2014 and 2013, total gross administrative expenses and claim adjustment expenses allocated to New England were \$36.3 million and \$27.1 million, respectively. Harvard Pilgrim owed \$0.6 million and \$5.7 million to New England as of December 31, 2014 and 2013, respectively. Intercompany balances are settled quarterly, following the close of the quarter.

In November 2014, the Harvard Pilgrim and New England Board of Directors voted to amend the bylaws of New England to incorporate provisions consistent with the HPHC bylaws and Massachusetts nonprofit requirements, including removing provisions that prohibited HPHC from benefitting from the assets or income of New England. In November 2014, HPHC recognized a surplus adjustment for \$74.8 million to recognize the net assets of HPHC New England as the result of the bylaw change. In addition, due to the bylaw amendment, Harvard Pilgrim began to carry an investment in New England as an aggregate write-in for invested assets on its balance sheet. In December 2014, New England made a \$12.0 million extraordinary dividend to Harvard Pilgrim after receiving approval from the Massachusetts Division of Insurance as a result of the bylaw amendment.

Harvard Pilgrim also provides all administrative and operational management services to the Insurance Company. Administrative expenses are allocated to the Insurance Company based on Harvard Pilgrim's departmental cost allocation methodology. For the years ended December 31, 2014 and 2013, total gross administrative expenses and claim adjustment expenses allocated to the Insurance Company were \$107.4 million and \$108.8 million, respectively. Harvard Pilgrim owed the Insurance Company \$2.3 million and \$6.8 million as of December 31, 2014 and 2013, respectively. Intercompany balances are settled quarterly, following the close of the quarter. During 2014 and 2013, Harvard Pilgrim contributed capital of \$22 million and \$8 million, respectively, to the Insurance Company.

Harvard Pilgrim provides certain administrative and operational management services to Health Plans, Inc. ("HPI"). Administrative expenses are allocated to HPI based on Harvard Pilgrim's departmental cost allocation methodology. For the years ended December 31, 2014 and 2013, total gross administrative expenses allocated to HPI were \$2.5 million and \$4.4 million, respectively. In addition, HPI reimburses Harvard Pilgrim for expenses



ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

paid on its behalf. As of December 31, 2014 and 2013, HPI owed Harvard Pilgrim \$0.8 million and \$1.2 million, respectively for the operating and administrative expenses incurred. Intercompany balances are settled quarterly, following the close of the quarter.

Harvard Pilgrim makes contributions to the Harvard Pilgrim Health Care Foundation, Inc. ("the Foundation") to support its ongoing operations. For the years ended December 31, 2014 and 2013, total contributions made to the Foundation were \$4.2 million and \$1.8 million, respectively. In addition the Foundation reimburses HPHC for expenses paid on its behalf. Harvard Pilgrim had \$1.6 million and \$2.8 million gross receivables from the Foundation as of December 31, 2014 and 2013, respectively. Intercompany balances are settled quarterly, following the close of the quarter.

Harvard Pilgrim makes contributions to the Institute to support its ongoing operations. For the years ended December 31, 2014 and 2013, total contributions made to the Institute were \$5.7 million for both years. Harvard Pilgrim owed the Institute \$0.5 million as of December 31, 2014 and had a \$0.4 million gross receivable from the Institute as of December 31, 2013. Intercompany balances are settled quarterly, following the close of the quarter.

11. Debt

See note 13 for information on Surplus Notes.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

Harvard Pilgrim's postretirement medical plan allows employees who have attained age 60 and completed ten years of continuous service to remain in Harvard Pilgrim's group health care coverage upon retirement and until they qualify for Medicare coverage. In accordance with the provisions of the postretirement medical plan, retirees will pay 100% of the active monthly premium rate until they reach age 65. Once they reach age 65 and enroll in both Medicare A and B, Harvard Pilgrim will provide a maximum monthly contribution of \$150 to each retiree (and each spouse, if applicable), provided the employee is transitioning from an active Harvard Pilgrim employee medical plan. Additionally, Harvard Pilgrim covers up to 100% of the costs for select grandfathered retirees. The plan is not currently funded.

A summary of assets, obligations and assumptions of the post retirement medical plan are as follows at December 31, 2014 and 2013 (amounts in thousands):

(1) Change in benefit obligation

a. Pension Benefits - None

b. Postretirement Benefits

		Overfunded		Underfunded	
		2014	2013	2014	2013
1.	Benefit obligations at beginning of year			\$13,424	\$9,383
2.	Service cost			460	536
3.	Interest cost			602	523
4.	Contribution by plan participants			544	569
5.	Actuarial gain (loss)			1,153	(1,884)
6.	Foreign currency exchange rate changes				-
7.	Benefits paid			(964)	(1,013)
8.	Plan amendments - SSAP 92 adoption			-	5,310
9.	Business combinations, divestitures, curtailments, settlements and special termination benefits				-
10.	Benefit obligation at end of year			\$15,219	\$13,424

c. Postemployment & Compensated Absence Benefits - None

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

(2) Change in plan assets

	Pension Benefits		Postretirement Benefits		Post-employment	
	2014	2013	2014	2013	2014	2013
a. Fair value of plan assets at beginning of year						
b. Actual return on plan assets				-		
c. Foreign currency exchange rate changes				-		
d. Reporting entity contribution			\$420	\$444		
e. Plan participants' contributions			544	569		
f. Benefits paid			\$(964)	\$(1,013)		
g. Business combinations, divestitures and settlements						
h. Fair value of plan assets at end of year						

(3) Funded status

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Overfunded:				
a. Assets (nonadmitted)				
1. Prepaid benefit costs				
2. Overfunded plan assets				
3. Total assets (nonadmitted)				
Underfunded:				
b. Liabilities recognized				
1. Accrued benefit costs			\$8,514	\$7,518
2. Liability for pension benefits			6,705	5,906
3. Total liabilities recognized			\$15,219	\$13,424
c. Unrecognized liabilities				-

(4) Components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits		Postemployment & Compensated Absence Benefits	
	2014	2013	2014	2013	2014	2013
a. Service cost			\$460	\$536		
b. Interest cost			602	523		
c. Expected return on plan assets				-		
d. Transition asset or obligation				-		
e. Gains and losses			-	139		
f. Prior service cost or credit			354	354		
g. Gain or loss recognized due to a settlement or curtailment				-		
h. Total net periodic benefit cost			\$1,416	\$1,552		

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
a. Items not yet recognized as a component of net periodic cost – prior year			\$5,906	\$8,282
b. Net transition asset or obligation recognized				-
c. Net prior service cost or credit arising during the period				-
d. Net prior service cost or credit recognized			(354)	(354)
e. Net gain and loss arising during the period			1,153	(1,884)
f. Net gain and loss recognized			-	( 139)
g. Items not yet recognized as a component of net periodic cost – current year			\$6,705	\$5,906

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as Components of net periodic benefit cost.

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
a. Net transition asset or obligation				
b. Net prior service cost or credit			(\$354)	(\$353)
c. Net recognized gains and losses			(\$56)	

(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net Periodic benefit cost.

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
a. Net transition asset or obligation				-
b. Net prior service cost or credit			(\$4,601)	(\$4,955)
c. Net recognized gains and losses			(\$2,104)	(\$951)

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

(8) Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31:

	2014	2013
a. Weighted-average discount rate	4.60%	3.65%
b. Expected long-term rate of return on plan assets	not applicable	not applicable
c. Rate of compensation increase	not applicable	not applicable

Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31:

	2014	2013
d. Weighted-average discount rate	3.80%	4.60%
e. Rate of compensation increase	not applicable	not applicable

For measurement purpose, the actual observed 2014 per capita cost of covered health care benefits were used. The rate of increase for these costs was assumed to be 7.30% for 2015, and decrease gradually to 4.50% for 2029, and remain at that level thereafter.

(9) The amount of the accumulated benefit obligation for defined benefit pension plans – not applicable.

(10) Harvard Pilgrim has one Post Retirement Medical Life Insurance Plan. The healthcare benefits are contributory with participants contributions adjusted annually and the life insurance benefits are non contributory. The accounting for the health care plan is consistent with the Company's expressed intent to have Medicare eligible retirees pay any amount above the Company's contribution of \$150 per month. Additionally, there are certain grandfathered participants for whom the Company pays their entire benefit.

(11) Assumed health care cost trend rates have an effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the amounts reported for the health care plan (amounts in thousands):

	1 Percentage Point increase	1 Percentage Point decrease
a. Effect on total of service and interest cost components	\$20	\$(17)
b. Effect on postretirement benefit obligation	427	(372)

(12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated (amounts in thousands):

Year	Amount
a. 2015	\$ 686
b. 2016	716
c. 2017	760
d. 2018	793
e. 2019	833
Next five years	4,685

(13) The Company does not have any regulatory contribution requirements for 2014 however the Company's current projection for voluntary contributions to the defined benefit pension plan is \$686 thousand in 2015.

(14) The amounts and types of securities - Not applicable.

(15) Alternative method used to amortize prior service amounts or net gains and losses - Not applicable.

(16) Substantive commitment used as the basis for accounting for the benefit obligation - Not applicable.

(17) Special or contractual termination benefits recognized - Not applicable.

(18) Significant change in the benefit obligation or plan assets - Not applicable.

(19) Plan assets returned to the Company - Not applicable.

(20) On January 1, 2013 Harvard Pilgrim adopted SSAP No. 92, "Accounting for Postretirement Benefits Other Than Pensions," a Replacement of SSAP No. 14. After the adoption, a summary of the plan's funded status was as follows as of January 1, 2013 (amounts in thousands):

Transition (asset) obligation	\$ -
Prior service income / (cost)	(5,310)
Net gain / (loss)	(2,974)
Accumulated income / (loss)	(8,282)
Adjustment for non admitted assets	-
Plan assets at fair value	-
Funded status	\$ (8,282)

(21) In connection with the adoption of SSAP No. 92, an additional liability of \$8.2 million was recorded as a charge to net worth with no deferral on January 1, 2013.



# ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

The surplus note listed above is in connection with the Plan of Rehabilitation issued in fiscal year 2000, when Harvard Pilgrim was released from temporary receivership and placed under administrative supervision. Payments of principal and interest on the Massachusetts Health and Education Facilities Revenue Bonds issue 1998 Series A (the "Bonds") were made subject to the approval of the Commissioner of Insurance of the Commonwealth of Massachusetts (the "Commissioner"). As such, the outstanding amount of the Bonds, reduced by the \$29 million mortgage qualify to be treated as surplus notes under NAIC SAP and are included as a component of statutory capital and surplus.

Principal payments on the Series 1998 Bonds were \$9.8 million in both 2014 and 2013. Interest expense, recorded as a reduction to net investment income earned, amounted to \$3.2 million and \$3.7 million in 2014 and 2013, respectively. Related interest paid amounted to \$3.4 million and \$3.9 million in 2014 and 2013, respectively. The payment of scheduled installments of principal and interest on the Series 1998 Bonds is fully insured. There was no unapproved interest and/or principal payments as of December 31, 2014.

Harvard Pilgrim and Assured Guaranty Corp. ("AGC"), the Bonds insurer, entered into an agreement which provides that the requirement that the Commissioner give prior approval to the payment of principal and interest on the Bonds (the "Condition") remain in effect for the life of the Bonds after Harvard Pilgrim was released from Administrative Supervision by the Commissioner. In consideration for AGC's agreement to the continuing application of the pre-approval Condition, Harvard Pilgrim agreed to increase the annual principal payment it makes with respect to the obligations to the greater of \$9.8 million or the original principal requirement as outlined in the Loan and Trust agreement. On June 15, 2006 Harvard Pilgrim was released from Administrative Supervision by the Commissioner. As a result, Harvard Pilgrim increased the principal due on July 1 each year ("Additional Principle Payment") to \$9.8 million in accordance with the agreement. Supplemental payments of additional principal up to a maximum of \$10 million per year and \$46 million in the aggregate would be required if certain profitability and financial conditions are met. Supplemental payments were not required to be made for 2014 or 2015.

At December 31, 2014 and 2013, the estimated fair value of the Bonds was approximately \$58.6 million and \$69.2 million, respectively. The fair value is estimated based on the quoted market prices for the same or similar issues.

Special deposits include a debt service fund, which was established with the bond trustee for the payment of principal and interest. The debt service fund amounted to \$1.5 million and \$1.7 million at December 31, 2014 and 2013, respectively. These funds are invested in U.S. government securities and are carried at amortized cost, which approximates estimated fair value.

The aggregate amount of maturities and sinking fund requirements of the Bonds, after consideration of the aforementioned amendment, as of December 31, 2014 is as follows (amounts in thousands):

2015	9,800
2016	9,800
2017	9,800
2018	9,800
Thereafter	<u>20,015</u>
	<u>\$ 59,215</u>

Other conditions of the Bonds require Harvard Pilgrim to comply with certain covenants, the most restrictive of which is the requirement that Harvard Pilgrim maintain a GAAP debt service coverage ratio of 1:1. For the years ended December 31, 2014 and 2013, all debt covenant requirements were satisfied.

(12) There were no quasi-reorganizations during 2014 and 2013.

(13) Effective date of quasi-reorganization for a period of ten years following the reorganization – not applicable.

(14) Minimum Net Worth

The Commonwealth of Massachusetts, under the Acts of 2003, Chapter 141, Sections 46 and 83 amended the General Laws of Massachusetts, Chapter 176G Health Maintenance Organizations by adding Section 25 Net Worth of Health Maintenance Organizations. Section 25 sets forth minimum adjusted net worth requirements for health maintenance organizations. In addition, HMO's must maintain a minimum deposit of at least \$1 million with a trustee acceptable to the Department of Insurance. The minimum net worth calculation is as follows:

Required:

The total of, (1) 8 percent of adjusted annual health care expenditures reported and, (2) 4 percent of adjusted annual hospital expenditures reported.

**Calculation:**

Adjusted annual health care expenditures \$971,822,977

At 8% = \$77,745,838

+Adjusted annual hospital expenditures \$219,116,155

At 4% = \$8,764,646

= Minimum Net Worth requirement \$86,510,484

Harvard Pilgrim meets the requirements of Chapter 176G, Section 25 at December 31, 2014.

**14. Liabilities, Contingencies and Assessments**

**A. Contingent Commitments**

Harvard Pilgrim and its insurance affiliates, New England, HPHC CT and the Insurance Company (each a "Corporation" and collectively the "Corporations"), participate in a Guaranty and Indemnity Agreement ("G&I Agreement"). Under the terms of the G&I Agreement, each corporation guarantees the payment and performance of the others. In addition, each Corporation is jointly and severally liable for all obligations that may arise out of this G&I Agreement. Harvard Pilgrim had no contingent liabilities related to the G&I Agreement as of December 31, 2014.

**B. Assessments**

In June 2014, the NAIC adopted SSAP No. 106, Affordable Care Act Assessments (SSAP No. 106) effective January 1, 2014, and incorporates the ACA Section 9010 guidance revisions previously prescribed in SSAP No. 35R. The provisions of this statement require entities that issue U.S. health insurance to recognize the full portion of the ACA Section 9010 assessment as an administrative expense in January 1 of the fee year. Harvard Pilgrim recognized \$11.5 million in general administrative expenses on January 1, 2014 for the ACA 9010 assessment.

The Company has not received any notification of insolvency that could have a material financial effect on the estimate of liability.

**C. Gain Contingencies - None**

**D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits - None**

**E. Joint and Several Liabilities - None**

**F. All Other Contingencies**

Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

**15. Leases**

**A. Lessee Operating Leases**

(1) Harvard Pilgrim has entered into several long-term non-cancellable operating leases for buildings and equipment. The terms of the leases vary through the year 2022 with an option for a one time five year renewal. In 2014, Harvard Pilgrim entered into a new lease for its corporate headquarters in Wellesley Massachusetts that commences in March 2015 and ends in March 2022. Total rent expense on all leases was \$11.3 million and \$11 million in 2014 and 2013, respectively.

(2) The following is a schedule, by year, of future minimum rental payments required under all operating leases for buildings and equipment that have initial or remaining non-cancellable lease terms of one year or more as of December 31, 2014 (amounts in thousands):

**A. Lessee Operating Leases**

Year Ending

December 31 Operating Leases

2015	\$	8,165
2016		5,045
2017		4,559
2018		4,417
2019		3,821
	\$	<u>26,007</u>

(3) The Company is not involved in any material sale-leaseback transactions.

**B. Lessor Leases**

(1) Operating leases

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.  
 Harvard Pilgrim leases certain properties. The amounts due to Harvard Pilgrim as of December 31, 2014 are as follows (amounts in thousands):

Year Ending		December 31		Operating Leases
2015	\$			369
2016				-
2017				-
2018				-
Therafter				-
	\$			369

There are no contingent rentals included in income for the years ended December 31, 2014 and 2013.

(2) Leveraged leases - None

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Harvard Pilgrim did not have any investments in financial instruments with off balance sheet risk or with significant concentrations of credit risk as of December 31, 2014 and 2013.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales - None

B. Transfers and Servicing of Financial Assets - None

C. Wash Sales - None

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

Harvard Pilgrim administers employee health benefits for certain employer groups as an Administrative Services Only (“ASO”) wherein it performs eligibility management, medical management, claims processing, and disbursement activities in return for administrative fees. The employer assumes utilization risk for these arrangements.

The loss from operations for ASO uninsured plans and the uninsured portion of partially insured plans during 2014 were as follows: (amounts in thousands)

		1	2	3
		ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (18,025)	-	\$ (18,025)
b.	Total net other income or expenses (including interest paid to or received from plans)	-	-	-
c.	Net gain or loss from operations	(18,025)	-	(18,025)
d.	Total claim payment volume	\$ 1,177,205	-	\$1,177,205

B. ASC Plans - None

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts - None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators-

Harvard Pilgrim did not receive any premium from individual managing general agents or third party administrators for the years ended December 31, 2014 and 2013.

20. Fair Value Measurement

A. Harvard Pilgrim's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Statement of Statutory Accounting Principles No. 100, “Fair Value Measurements.”

(1) Fair Value Measurements at the reporting date (amounts in thousands):

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

Description	level 1	level 2	Level 3	Total
Bonds				
U.S. Governments	-	-	-	-
Industrial and Misc	-	\$ 1,050	-	\$ 1,050
Hybrid Securities	-	-	-	-
Total Bonds	-	1,050	-	1,050
Common Stock				
Industrial and Misc	135,998	-	-	135,998
Total Common Stocks	135,998	-	-	135,998
Total Assets at Fair Value	\$ 135,998	\$ 1,050	\$ -	\$ 137,048

(a) There were no transfers between level 1 and level 2 during 2014.

(2) Fair value measurements in Level 3 of the fair value hierarchy: None

(3) The policy on the timing of recognizing transfers in and out of Level 3: Transfers in and out of Level 3 securities are recognized at the end of the reporting period.

(4) For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, the valuation technique(s) and the inputs used in the fair value measurement: Fair value measurements of securities within the Level 2 and Level 3 hierarchy are determined using the NAIC Securities Valuation Office pricing source and if not available, market values are obtained from independent third party pricing vendors at December 31, 2014.

(5) The Company did not have any derivative assets or liabilities.

**B. Other Fair Value Measurements – Not applicable**

**C. The aggregate fair value by hierarchical level as of December 31, 2014 (amounts in thousands):**

Type of Financial Instrument	Aggregate fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (CV)
Bonds	\$ 462,864	\$ 452,111	\$ -	\$ 462,864	\$ -	\$ -
Common Stock	135,998	135,998	135,998	-	-	-
Short-term investments	1,674	1,674	1,674	-	-	-
Total	\$ 600,536	\$ 589,783	\$ 137,672	\$ 462,864	\$ -	\$ -

**D. Not practicable to estimate fair value - not applicable.**

## 21. Other Items

**A. Extraordinary Items - None**

**B. Troubled Debt Restructuring - None**

**C. Other Disclosures and Unusual Items**

**Long-Term Service Contract with Dell Corporation ("Dell")**

Harvard Pilgrim has a long-term agreement with Dell whereby Dell provides information technology operations, development and claims related processing services at Harvard Pilgrim facilities, under the directions of Dell staff. Services include operational services for technology and claims operations and business project services. The agreement calls for an annual minimum commitment of \$60 million, and is subject to adjustment for changes in service levels, cost management by Harvard Pilgrim and performance incentives for Dell. The agreement runs through 2021.

**D. Business Interruption Insurance Recoveries - None**

**E. State Transferable and Non-transferable Tax Credits - None**

**F. Subprime Mortgage Related Risk Exposure**

(1) The Company's subprime exposure comes from its holdings in asset backed securities. On a quarterly basis, these holdings are reviewed with the Company's various investment managers to determine the rationale for continuing to hold these securities and to determine if an impairment has occurred. Some of the factors considered include the asset quality, credit related issues, consistency of cash flow and expected recoverability of principal.

(2) Direct exposure through investments in subprime mortgages - None

(3) Direct exposure through other investments (amounts in thousands):



ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other Than Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities	\$ 180,695	\$ 178,622	\$ 180,913	\$ -
b. Commercial mortgage-backed securities	\$ 29,873	\$ 29,693	\$ 30,942	\$ -
c. Collateralized debt obligations	\$ -	\$ -	\$ -	\$ -
d. Structured securities	\$ 17,705	\$ 17,637	\$ 17,842	\$ -
e. Equity investment in SCAs*	\$ -	\$ -	\$ -	\$ -
f. Other assets	\$ -	\$ -	\$ -	\$ -
g. Total	\$ 228,273	\$ 225,952	\$ 229,697	\$ -

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage - None

**G. Retained Assets - None**

**22. Events Subsequent**

*Type I – Recognized Subsequent Events-*

Harvard Pilgrim has evaluated events and transactions subsequent to December 31, 2014, through February 27, 2015, the date the financial statements are available for issuance and has determined there were no material events or transactions which require adjustment to, or disclosure in, the financial statements, other than as described in the paragraphs below.

*Type II – Non-recognized Subsequent Events-*

Subsequent events have been considered subsequent to December 31, 2014 through February 27, 2015 for the statutory statement issued February 27, 2015. In January 2015, Harvard Pilgrim, through its subsidiary Health Plans Inc. ("HPI"), a wholly-owned subsidiary of Harvard Pilgrim, acquired certain assets of Trestle-Tree, Inc., a nationwide provider of lifestyle change management services to large employers.

On January 1, 2015, Harvard Pilgrim will be subject to an annual fee under section 9010 of the ACA. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due.

As of December 31, 2014, Harvard Pilgrim has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2015 and estimates its portion of the annual health insurance industry fee to be payable on September 30, 2015 to be \$15.1 million. This amount is reflected in special surplus and is expected to impact RBC by 2.7%.

**Type II – Nonrecognized Subsequent Events:**

	Current Year	Prior Year
A. ACA fee assessment payable for the upcoming year	\$ 15,143,519	\$ 11,667,130
B. ACA fee assessment paid	\$ 11,497,137	
C. Premium written subject to ACA 9010 assessment	\$ 1,654,236,114	\$ 1,785,531,796
D. Total Adjusted Capital before surplus adjustment	\$ 548,653,033	
E. Authorized Control Level before surplus adjustment	\$ 83,247,922	
F. Total Adjusted Capital after surplus adjustment	\$ 533,509,514	
G. Authorized Control Level after surplus adjustment	\$ 83,267,819	

H. Would reporting the ACA assessment as of Dec. 31, 2014 have triggered an RBC action level (Yes/No)?

NO

**23. Reinsurance**

Harvard Pilgrim carries reinsurance against excessive utilization on a per-member basis. Under the policy, Harvard Pilgrim is reimbursed 100% of certain hospital inpatient, outpatient and pharmacy claims in excess of the policy deductible, which is \$1,500,000. The maximum recoverable under the reinsurance agreement is \$5,000,000 per member per policy period. The impact of reinsurance recoveries on the financial statements is immaterial.

**A. Ceded Reinsurance Report**

Section 1: General Interrogatories

(1) Harvard Pilgrim does not own in excess of 10%, nor control directly or indirectly any of the reinsurers listed as non-affiliated on Schedule S.

(2) None of Harvard Pilgrim's policies have been reinsured outside of the United States.

Section 2: Ceded Reinsurance Report – Part A

- (1) None of the reinsurance agreements can be unilaterally cancelled except for nonpayment of premiums.
- (2) Harvard Pilgrim does not have any reinsurance agreements in effect such that the amount of losses exceed the total direct premiums collected as of December 31, 2014.

Section 3: Ceded Reinsurance Report – Part B

- (1) There have been no terminated reinsurance policies as of December 31, 2014.
- (2) There have been no new agreements that have been executed or existing agreements amended, that include policies or contracts that were in force or which had existing reserves established by Harvard Pilgrim as of the effective date of the agreement.

**B. Uncollectible Reinsurance** - Harvard Pilgrim has not written off any reinsurance balances in 2014.

**C. Commutation of Ceded Reinsurance – None**

**D. Certified Reinsurer rating downgraded or status subject to revocation - None**

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

- A.** The Company estimates accrued retrospective premium adjustments in accordance with SSAP 66. See note 1.
- B.** The Company records accrued retrospective premium as an adjustment to earned premium.
- C.** The amount of net premiums written by the Company at December 31, 2014 that are subject to retrospective rating features was \$1,654.0 million, which represented 100% of the total net premiums written. No other net premiums written by the Company are subject to retrospective rating features.
- D.** The Company does not have retrospectively rated contracts and contracts subject to redetermination other than those subject to ACA. Harvard Pilgrim records accrued retrospective premium as an adjustment to earned premium. There were no MLR rebates required pursuant to ACA for the years ended December 31, 2014 or 2013.

**E. Risk Sharing Provisions of the Affordable Care Act**

- (1) Did the reporting entity write accident and health insurance premium which is subject to the ACA risk-sharing provisions (YES/NO)? YES
- (2) Impact of Risk-Sharing Provisions of the ACA on Admitted Assets, Liabilities and Revenue for the Current Year are below: (amounts in thousands)

<b>a. Permanent ACA Risk Adjustment Program:</b>	<b>AMOUNT</b>
<b>Assets:</b>	
1. Premium adjustments receivable due to ACA Risk Adjustment.....	\$ None
<b>Liabilities:</b>	
2. Risk adjustment user fees payable for ACA Risk Adjustment.....	\$ 5
3. Premium adjustments payable due to ACA Risk Adjustment.....	\$ 7,812
<b>Operations (Revenue &amp; Expense):</b>	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment.....	\$ 7,812
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid).....	\$ 5
<b>b. Transitional ACA Reinsurance Program:</b>	
<b>Assets:</b>	
1. Amounts recoverable for claims paid due to ACA Reinsurance.....	\$ 7,370
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability).....	\$ None
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance.....	\$ None
<b>Liabilities:</b>	
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium.....	\$ 18,705
5. Ceded reinsurance premiums payable due to ACA Reinsurance.....	\$ 436
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance.....	\$ None
<b>Operations (Revenue &amp; Expense):</b>	
7. Ceded reinsurance premiums due to ACA Reinsurance.....	\$ 436
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments.....	\$ 7,370
9. ACA Reinsurance contributions - not reported as ceded premium.....	\$ 18,705
<b>c. Temporary ACA Risk Corridors Program:</b>	
<b>Assets:</b>	
1. Accrued retrospective premium due to ACA Risk Corridors.....	\$ None
<b>Liabilities:</b>	
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors.....	\$ None
<b>Operations (Revenue &amp; Expense):</b>	
3. Effect of ACA Risk Corridors on net premium income (paid/received).....	\$ None
4. Effect of ACA Risk Corridors on change in reserves for rate credits.....	\$ None

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

(3) Roll forward of prior year ACA risk-sharing provisions for the following asset (gross of any non admission) and liability balances, along with the reasons for adjustments to prior year balance.

Rollforward of prior year ACA risk-sharing provisions		Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
						Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Balance from Prior Years (Col 1 – 3 +7)	Cumulative Balance from Prior Years (Col 2 – 4 +8)
		1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)	
a.	Permanent ACA Risk Adjustment Program:											
	1. Premium adjustments receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
	2. Risk adjustments user fees (payable)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	B	\$ -	\$ -
	3. Subtotal ACA Permanent Risk Adjustment Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
b.	Transitional ACA Reinsurance Program:											
	1. Amounts recoverable for claims paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	C	\$ -	\$ -
	2. Amounts recoverable for claims unpaid (contra liability)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	D	\$ -	\$ -
	3. Amounts receivable relating to uninsured plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E	\$ -	\$ -
	4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premiums	\$ -				\$ -	\$ -			F	\$ -	\$ -
	5. Ceded reinsurance premiums payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	G	\$ -	\$ -
	6. Liabilities for amounts held under uninsured plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	H	\$ -	\$ -
	7. Subtotal ACA Transitional Reinsurance Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
c.	Temporary ACA Risk Corridors Program:											
	1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	I	\$ -	\$ -
	2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	J	\$ -	\$ -
	3. Subtotal ACA Risk Corridors Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
d.	Total for ACA risk Sharing Provisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves, net of healthcare receivables, as of December 31, 2013 were \$136.7 million. As of December 31, 2014, \$99.1 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There is a \$6.6 million reserve remaining for prior years and \$0.5 million health care receivable for prior years. Therefore, there has been a \$30.5 million favorable prior-year development since December 31, 2013. The favorable development is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Harvard Pilgrim does not have any retrospectively rated policies.

26. Intercompany Pooling Arrangements

Harvard Pilgrim does not have intercompany pooling arrangements.

27. Structured Settlements

Not applicable.

28. Health Care Receivables

A. Pharmaceutical rebate receivables (amounts in thousands):

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed	ConfirmedActual Rebates Received within 90 days of Billing	Actual Rebates Received 91 to 180 days of Billing	Actual Rebates Received More Than 180 days After Billing
12/31/2014	7,490				
09/30/2014	6,910	6,576	2,325		-
06/30/2014	6,838	7,169	6,040	1,227	-
03/31/2014	6,885	6,945	6,685	379	89
12/31/2013	7,592	6,833	6,941	327	65
09/30/2013	6,522	6,681	6,262	493	100
06/30/2013	6,177	6,491	5,405	1,021	75
03/31/2013	5,961	6,216	5,854	23	285
12/31/2012	6,730	6,189	5,619	445	269
09/30/2012	6,102	6,450	5,780	376	82
06/30/2012	6,658	6,664	5,941	411	330
03/31/2012	6,165	6,230	3,272	2,749	212

B. Risk sharing receivables - None

29. Participating Policies

Harvard Pilgrim does not have any participating policies.

**30. Premium Deficiency Reserves**

- |   |   |
|---|---|
| 1) Liability carried for premium deficiency reserves              | <u>\$ 1,288,057</u>   |
| 2) Date of the most recent evaluation of this liability           | <u>12/31/2014</u>   |
| 3) Was anticipated investment income utilized in the calculation? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |

**31. Anticipated Salvage and Subrogation**

For the years ended December 31, 2014 and 2013 there was no anticipated salvage or subrogation in the determination of the liability for unpaid claims.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? .....  
If yes, complete Schedule Y, Parts 1, 1A and 2

Yes [ X ] No [ ]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? .....

Yes [ X ] No [ ] N/A [ ]

1.3

State Regulating? .....

Massachusetts

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ] No [ X ]

2.2

If yes, date of change: .....

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2013

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2010

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

07/02/2012

3.4

By what department or departments?  
Massachusetts Division of Insurance .....

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes [ ] No [ ] N/A [ X ]

3.6

Have all of the recommendations within the latest financial examination report been complied with? .....

Yes [ ] No [ ] N/A [ X ]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? .....  
4.12 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? .....  
4.22 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [ X ]

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? .....

Yes [ ] No [ X ]

6.2

If yes, give full information: .....

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? .....

Yes [ ] No [ X ]

7.2

If yes,  
7.21 State the percentage of foreign control; .....  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [ X ]

8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, 200 Berkeley Street, Boston, MA 02116

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ] No [ X ]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ] No [ X ]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [ X ] No [ ] N/A [ ]

10.6

If the response to 10.5 is no or n/a, please explain

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Brian Lewis, Appointed Actuary, Harvard Pilgrim Health Care, Inc., 93 Worcester Street, Wellesley, MA 02481-9181

12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]

12.11

Name of real estate holding company

12.12

Number of parcels involved

12.13

Total book/adjusted carrying value

\$

12.2

If, yes provide explanation:

13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]

13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]

13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] N/A [ ]

14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [ ]

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.

14.11

If the response to 14.1 is No, please explain:

14.2

Has the code of ethics for senior managers been amended?

Yes [ ] No [ X ]

14.21

If the response to 14.2 is yes, provide information related to amendment(s).

14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]

14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2  Issuing or Confirming Bank Name	3  Circumstances That Can Trigger the Letter of Credit	4  Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers\$

20.12 To stockholders not officers\$

20.13 Trustees, supreme or grand (Fraternal Only)\$
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers\$

20.22 To stockholders not officers\$

20.23 Trustees, supreme or grand (Fraternal Only)\$
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others\$

21.22 Borrowed from others\$

21.23 Leased from others\$

21.24 Other\$
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ☒ No ☐
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment\$13,111,319

22.22 Amount paid as expenses\$18,705,073

22.23 Other amounts paid\$
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes ☒ No ☐
- 24.02 If no, give full and complete information relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ N/A ☒
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ N/A ☒
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ N/A ☒
- 24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ N/A ☒

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

GENERAL INTERROGATORIES

24.10 For the reporting entity’s security lending program state the amount of the following as December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.103	Total payable for securities lending reported on the liability page.	\$	0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes ☒ No ☐

25.2	If yes, state the amount thereof at December 31 of the current year:	25.21 Subject to repurchase agreements	\$	
		25.22 Subject to reverse repurchase agreements	\$	
		25.23 Subject to dollar repurchase agreements	\$	
		25.24 Subject to reverse dollar repurchase agreements	\$	
		25.25 Placed under option agreements	\$	
		25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$	
		25.27 FHLB Capital Stock	\$	
		25.28 On deposit with states	\$	3,482,729
		25.29 On deposit with other regulatory bodies	\$	
		25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$	
		25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$	
		25.32 Other	\$	1,453,725

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☒  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ☐ No ☒

27.2 If yes, state the amount thereof at December 31 of the current year. \$

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
U.S. Trust, Bank of America Corporation	225 Franklin St., Boston, MA 02110

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes ☐ No ☒

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
104518	Deutsch Investment Management Americas, Inc.	345 Park Avenue, New York, NY 10154
108281	Fidelity Management & Research Company	82 Devonshire Street V10G, Boston, MA 02109
105958	The Vanguard Group, Inc.	100 Vanguard Blvd, V26, Malvern, PA 19355



GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- Yes [ X ] No [ ]
- 29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
921943-88-2	Vanguard-Developed Markets Index Fund	15,753,058
922040-10-0	Vanguard - Institutional Index Fund	101,818,220
922908-87-6	Vanguard - Small Cap Index Ins	18,426,742
29.2999 - Total		135,998,020

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Vanguard - Developed Markets Index Fund	HSBC Holdings plc	209,346	12/31/2014
Vanguard - Developed Markets Index Fund	Nestle SA	270,042	12/31/2014
Vanguard - Developed Markets Index Fund	Novartis AG	250,901	12/31/2014
Vanguard - Developed Markets Index Fund	Roche Holding AG	221,075	12/31/2014
Vanguard - Developed Markets Index Fund	Toyota Motor Corp.	191,727	12/31/2014
Vanguard - Institutional Index Fund	Apple Inc.	3,596,344	12/31/2014
Vanguard - Institutional Index Fund	Exxon Mobile Corp.	2,174,835	12/31/2014
Vanguard - Institutional Index Fund	Johnson & Johnson	1,626,075	12/31/2014
Vanguard - Institutional Index Fund	Microsoft Corp.	2,127,050	12/31/2014
Vanguard - Institutional Index Fund	Wells Fargo & Co.	1,437,678	12/31/2014
Vanguard - Small Cap Index Ins	Alaska Air Group Inc.	50,620	12/31/2014
Vanguard - Small Cap Index Ins	Alkermes plc	54,690	12/31/2014
Vanguard - Small Cap Index Ins	Cooper Cos. Inc.	49,978	12/31/2014
Vanguard - Small Cap Index Ins	Goodyear Tire & Rubber Co.	50,098	12/31/2014
Vanguard - Small Cap Index Ins	Snap-on Inc.	50,742	12/31/2014

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	453,785,021	464,537,670	10,752,649
30.2 Preferred stocks	0		0
30.3 Totals	453,785,021	464,537,670	10,752,649

- 30.4 Describe the sources or methods utilized in determining the fair values:  
Harvard Pilgrim Health Care obtains fair values from the NAIC Securities Valuation Office (SVO), and if not available, market values are obtained from independent third party pricing vendors.
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?
- Yes [ ] No [ X ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?
- Yes [ ] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?
- Yes [ X ] No [ ]
- 32.2 If no, list exceptions:

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....1,275,214

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Massachusetts Association of Health Plans .....	735,189
America's Health Insurance Plans .....	476,790
.....	.....

34.1 Amount of payments for legal expenses, if any? .....\$ .....889,641

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....618,809

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Rasky Baerlien Stategic Communications .....	185,400
.....	.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2

If yes, indicate premium earned on U.S. business only.

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$

0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

0

1.62

Total incurred claims

\$

0

1.63

Number of covered lives

0

All years prior to most current three years:

1.64

Total premium earned

\$

0

1.65

Total incurred claims

\$

0

1.66

Number of covered lives

0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

0

1.72

Total incurred claims

\$

0

1.73

Number of covered lives

0

All years prior to most current three years:

1.74

Total premium earned

\$

0

1.75

Total incurred claims

\$

0

1.76

Number of covered lives

0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

1,652,958,433

1,784,760,345

2.2

Premium Denominator

1,652,958,433

1,784,760,345

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

138,186,321

146,777,661

2.5

Reserve Denominator

138,186,321

146,777,661

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ ] No [ ]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [ X ] No [ ]

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

1,500,000

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental & Vision

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Hold harmless wording in provider contracts.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [ X ] No [ ]

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

55,628

8.2

Number of providers at end of reporting year

63,980

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$

9.22

Business with rate guarantees over 36 months

\$

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Harvard Pilgrim Health Care, Inc.

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? ..... Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses.....\$ 27,078,045

10.22 Amount actually paid for year bonuses.....\$ 21,811,359

10.23 Maximum amount payable withholds.....\$ 4,685,887

10.24 Amount actually paid for year withholds.....\$ 3,278,481

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, ..... Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or, . Yes [ X ] No [ ]

11.14 A Mixed Model (combination of above)? ..... Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? ..... Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such net worth. .... Massachusetts

11.4 If yes, show the amount required. ....\$ 86,510,484

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? ..... Yes [ X ] No [ ]

11.6 If the amount is calculated, show the calculation

Adjusted annual Health care expenditures \$971,822,977 at 8% = \$77,745,838 + Adjusted hospital expenditures \$219,116,155 at 4% = \$8,764,646 = Minimum Net Worth requirement \$86,510,484

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Massachusetts .....
Maine .....
.....

13.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. ....\$ .....

13.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]

13.4 If yes, please provide the balance of funds administered as of the reporting date. ....\$ .....

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? ..... Yes [ ] No [ ] N/A [ X ]

14.2 If the answer to 14.1 is yes, please provide the following:

1  Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
.....	.....	.....	.....	.....	.....	.....

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

15.1 Direct Premium Written .....\$ .....

15.2 Total Incurred Claims .....\$ .....

15.3 Number of Covered Lives .....

*Ordinary Life Insurance Includes
Term(whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary gurantee)
Universal Life (with or without secondary gurantee)
Variable Universal Life (with or without secondary gurantee)

FIVE-YEAR HISTORICAL DATA

	1 2014	2 2013	3 2012	4 2011	5 2010
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	921,573,766	853,527,956	882,592,488	826,271,952	793,887,838
2. Total liabilities (Page 3, Line 24) .....	372,920,733	356,916,405	401,455,601	346,791,968	381,163,507
3. Statutory surplus .....	86,510,484	93,915,106	101,442,854	103,550,071	122,058,377
4. Total capital and surplus (Page 3, Line 33) .....	548,653,033	496,611,551	481,136,887	479,479,984	412,724,331
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	1,645,146,781	1,785,956,697	1,923,017,134	2,046,429,485	2,301,976,475
6. Total medical and hospital expenses (Line 18) .....	1,414,770,344	1,562,224,566	1,680,999,892	1,756,615,804	2,041,063,050
7. Claims adjustment expenses (Line 20) .....	45,986,156	49,243,498	51,917,266	36,284,756	43,889,897
8. Total administrative expenses (Line 21) .....	190,481,193	175,092,431	185,851,208	182,652,293	178,336,867
9. Net underwriting gain (loss) (Line 24) .....	(7,318,969)	(603,798)	4,248,768	70,876,632	38,686,661
10. Net investment gain (loss) (Line 27) .....	28,147,360	14,623,386	15,547,633	20,136,258	12,137,294
11. Total other income (Lines 28 plus 29) .....	(6,545,411)	(2,515,395)	(3,432,432)	(16,791,395)	(6,575,825)
12. Net income or (loss) (Line 32) .....	14,282,980	11,504,193	16,363,969	74,221,495	44,248,130
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11) .....	68,131,830	(2,031,248)	103,430,151	71,840,248	54,908,822
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital .....	548,653,033	496,611,551	481,136,887	479,479,984	412,724,331
15. Authorized control level risk-based capital .....	83,247,922	79,992,239	78,498,377	78,380,946	88,520,244
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	298,029	328,793	344,756	387,927	426,672
17. Total members months (Column 6, Line 7) .....	3,599,641	4,020,702	4,340,007	4,660,701	5,050,247
<b>Operating Percentage</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	86.0	87.5	87.4	85.8	88.7
20. Cost containment expenses .....	1.2	0.6	0.8	0.8	0.7
21. Other claims adjustment expenses .....	1.6	2.1	1.9	1.0	1.2
22. Total underwriting deductions (Line 23) .....	100.4	100.0	99.8	96.5	98.3
23. Total underwriting gain (loss) (Line 24) .....	(0.4)	0.0	0.2	3.5	1.7
<b>Unpaid Claims Analysis</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	105,298,364	146,852,297	121,967,017	156,091,184	181,329,953
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....	136,718,040	168,466,441	137,305,019	194,951,740	229,644,550
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....		0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	78,082,207	59,762,842	59,450,665	61,620,642	54,507,999
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....	73,122,132				
32. Total of above Lines 26 to 31 .....	151,204,339	59,762,842	59,450,665	61,620,642	54,507,999
33. Total investment in parent included in Lines 26 to 31 above.					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [        ] No [        ]  
If no, please explain: .....

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories									
States, etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama .....	AL	N						0	
2. Alaska .....	AK	N						0	
3. Arizona .....	AZ	N						0	
4. Arkansas .....	AR	N						0	
5. California .....	CA	N						0	
6. Colorado .....	CO	N						0	
7. Connecticut .....	CT	N						0	
8. Delaware .....	DE	N						0	
9. District of Columbia .....	DC	N						0	
10. Florida .....	FL	N						0	
11. Georgia .....	GA	N						0	
12. Hawaii .....	HI	N						0	
13. Idaho .....	ID	N						0	
14. Illinois .....	IL	N						0	
15. Indiana .....	IN	N						0	
16. Iowa .....	IA	N						0	
17. Kansas .....	KS	N						0	
18. Kentucky .....	KY	N						0	
19. Louisiana .....	LA	N						0	
20. Maine .....	ME	L	140,383,548	205,783				140,589,331	
21. Maryland .....	MD	N						0	
22. Massachusetts .....	MA	L	1,513,617,705	29,078				1,513,646,783	
23. Michigan .....	MI	N						0	
24. Minnesota .....	MN	N						0	
25. Mississippi .....	MS	N						0	
26. Missouri .....	MO	N						0	
27. Montana .....	MT	N						0	
28. Nebraska .....	NE	N						0	
29. Nevada .....	NV	N						0	
30. New Hampshire .....	NH	N						0	
31. New Jersey .....	NJ	N						0	
32. New Mexico .....	NM	N						0	
33. New York .....	NY	N						0	
34. North Carolina .....	NC	N						0	
35. North Dakota .....	ND	N						0	
36. Ohio .....	OH	N						0	
37. Oklahoma .....	OK	N						0	
38. Oregon .....	OR	N						0	
39. Pennsylvania .....	PA	N						0	
40. Rhode Island .....	RI	N						0	
41. South Carolina .....	SC	N						0	
42. South Dakota .....	SD	N						0	
43. Tennessee .....	TN	N						0	
44. Texas .....	TX	N						0	
45. Utah .....	UT	N						0	
46. Vermont .....	VT	N						0	
47. Virginia .....	VA	N						0	
48. Washington .....	WA	N						0	
49. West Virginia .....	WV	N						0	
50. Wisconsin .....	WI	N						0	
51. Wyoming .....	WY	N						0	
52. American Samoa .....	AS	N						0	
53. Guam .....	GU	N						0	
54. Puerto Rico .....	PR	N						0	
55. U.S. Virgin Islands .....	VI	N						0	
56. Northern Mariana Islands .....	MP	N						0	
57. Canada .....	CAN	N						0	
58. Aggregate other alien .....	OT	XXX	0	0	0	0	0	0	0
59. Subtotal .....	XXX		1,654,001,253	234,861	0	0	0	1,654,236,114	0
60. Reporting entity contributions for Employee Benefit Plans .....	XXX							0	
61. Total (Direct Business) .....	(a) 2		1,654,001,253	234,861	0	0	0	1,654,236,114	0
DETAILS OF WRITE-INS									
58001. ....	XXX								
58002. ....	XXX								
58003. ....	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page .....	XXX		0	0	0	0	0	0	0
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above) .....	XXX		0	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

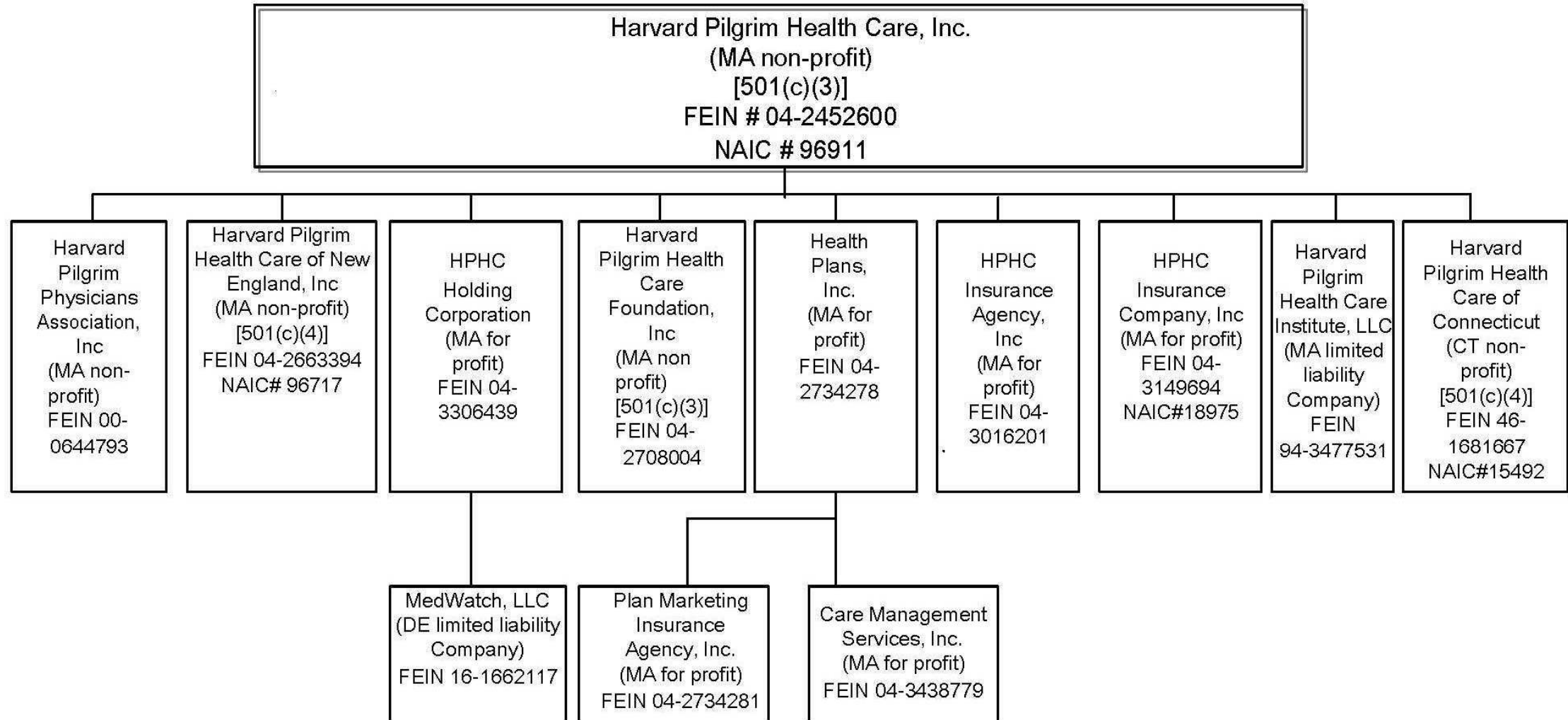
Explanation of basis of allocation by states, premiums by state, etc.

For individual members Harvard Pilgrim allocates premium based on the member's residence. For group members Harvard Pilgrim allocates premium based on the group situs.

(a) Insert the number of L responses except for Canada and Other Alien.

## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 11

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1104. Deposits .....	1,670,707		1,670,707	1,910,688
1197. Summary of remaining write-ins for Line 11 from overflow page	1,670,707	0	1,670,707	1,910,688

Additional Write-ins for Assets Line 25

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. ....			0	0
2597. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0

Additional Write-ins for Liabilities Line 23

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
2304. Accrued Long Term Expenses .....	4,318,291		4,318,291	3,269,278
2305. Quincy Mortgage .....	29,000,000		29,000,000	29,000,000
2397. Summary of remaining write-ins for Line 23 from overflow page	33,318,291	0	33,318,291	32,269,278

Additional Write-ins for Statement of Revenue and Expenses Line 29

	Current Year		Prior Year
	1	2	3
	Uncovered	Total	Total
2904. ....			0
2997. Summary of remaining write-ins for Line 29 from overflow page	0	0	0

Additional Write-ins for Exhibit of Nonadmitted Assets Line 25

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
2504. ....		0	0
2597. Summary of remaining write-ins for Line 25 from overflow page	0	0	0



ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business ..... 7

Assets ..... 2

Cash Flow ..... 6

Exhibit 1 - Enrollment By Product Type for Health Business Only ..... 17

Exhibit 2 - Accident and Health Premiums Due and Unpaid ..... 18

Exhibit 3 - Health Care Receivables ..... 19

Exhibit 3A - Analysis of Health Care Receivables Collected and Accrued ..... 20

Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus ..... 21

Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates ..... 22

Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates ..... 23

Exhibit 7 - Part 1 - Summary of Transactions With Providers ..... 24

Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries ..... 24

Exhibit 8 - Furniture, Equipment and Supplies Owned ..... 25

Exhibit of Capital Gains (Losses) ..... 15

Exhibit of Net Investment Income ..... 15

Exhibit of Nonadmitted Assets ..... 16

Exhibit of Premiums, Enrollment and Utilization (State Page) ..... 30

Five-Year Historical Data ..... 29

General Interrogatories ..... 27

Jurat Page ..... 1

Liabilities, Capital and Surplus ..... 3

Notes To Financial Statements ..... 26

Overflow Page For Write-ins ..... 44

Schedule A - Part 1 ..... E01

Schedule A - Part 2 ..... E02

Schedule A - Part 3 ..... E03

Schedule A - Verification Between Years ..... SI02

Schedule B - Part 1 ..... E04

Schedule B - Part 2 ..... E05

Schedule B - Part 3 ..... E06

Schedule B - Verification Between Years ..... SI02

Schedule BA - Part 1 ..... E07

Schedule BA - Part 2 ..... E08

Schedule BA - Part 3 ..... E09

Schedule BA - Verification Between Years ..... SI03

Schedule D - Part 1 ..... E10

Schedule D - Part 1A - Section 1 ..... SI05

Schedule D - Part 1A - Section 2 ..... SI08

Schedule D - Part 2 - Section 1 ..... E11

Schedule D - Part 2 - Section 2 ..... E12

Schedule D - Part 3 ..... E13

Schedule D - Part 4 ..... E14

Schedule D - Part 5 ..... E15

Schedule D - Part 6 - Section 1 ..... E16

Schedule D - Part 6 - Section 2 ..... E16

Schedule D - Summary By Country ..... SI04

Schedule D - Verification Between Years ..... SI03

Schedule DA - Part 1 ..... E17

Schedule DA - Verification Between Years ..... SI10

Schedule DB - Part A - Section 1 ..... E18

Schedule DB - Part A - Section 2 ..... E19

Schedule DB - Part A - Verification Between Years ..... SI11

Schedule DB - Part B - Section 1 ..... E20

Schedule DB - Part B - Section 2 ..... E21

Schedule DB - Part B - Verification Between Years ..... SI11

Schedule DB - Part C - Section 1 ..... SI12

Schedule DB - Part C - Section 2 ..... SI13

Schedule DB - Part D - Section 1 ..... E22

Schedule DB - Part D - Section 2 ..... E23

Schedule DB - Verification ..... SI14

Schedule DL - Part 1 ..... E24

Schedule DL - Part 2 ..... E25

Schedule E - Part 1 - Cash ..... E26

Schedule E - Part 2 - Cash Equivalents ..... E27

Schedule E - Part 3 - Special Deposits ..... E28

Schedule E - Verification Between Years ..... SI15

ANNUAL STATEMENT BLANK (Continued)

Schedule S - Part 1 - Section 2 .....	31
Schedule S - Part 2 .....	32
Schedule S - Part 3 - Section 2 .....	33
Schedule S - Part 4 .....	34
Schedule S - Part 5 .....	35
Schedule S - Part 6.....	36
Schedule S - Part 7.....	37
Schedule T - Part 2 - Interstate Compact .....	39
Schedule T - Premiums and Other Considerations .....	38
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group .....	40
Schedule Y - Part 1A - Detail of Insurance Holding Company System .....	41
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates .....	42
Statement of Revenue and Expenses .....	4
Summary Investment Schedule .....	SI01
Supplemental Exhibits and Schedules Interrogatories .....	43
Underwriting and Investment Exhibit - Part 1 .....	8
Underwriting and Investment Exhibit - Part 2 .....	9
Underwriting and Investment Exhibit - Part 2A .....	10
Underwriting and Investment Exhibit - Part 2B .....	11
Underwriting and Investment Exhibit - Part 2C .....	12
Underwriting and Investment Exhibit - Part 2D .....	13
Underwriting and Investment Exhibit - Part 3 .....	14